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ECONOMIC REPORT OF THE GOVERNOR 1989

STATE OF CALIFORNIA

Submitted by
George Deukmejian
Governor
State of California

to the
California Legislature
1988–89 Regular Session

State of California
GOVERNOR'S OFFICE
SACRAMENTO, CA 95814

GEORGE DEUKMEJIAN
GOVERNOR

May 12, 1989

To the Senate and Assembly of the Legislature of California:

I am pleased to report to you that six years into my Administration, California is stronger, more prosperous and better prepared for the future than ever before. As I stated in the State-of-the-State address, "1989 is the bridge between the progress we made in the 1980's, with the challenges we must meet in the 1990's." This year's Economic Report of the Governor 1989 illustrates that we are fully prepared to take on the future and to tackle its challenges.

As Californians, we can be proud of the economic growth our state has experienced since 1983. In fact, our rapid growth continues to defy expectations. In 1988, the state population increased by more than 660,000 to a grand total of 28,314,500--the largest numerical gain since World War II. Personal income has increased by 8.4 percent, which is well above the national average of 7.5 percent. The jobless rate has fallen to below 5 percent, and in some areas full employment may have effectively been reached. California's taxpayers have also been kind to government. Since 1983 California's economy has produced a 74 percent increase in total tax revenues.

We know, however, that California's continued prosperity will require forward-looking policies. Our already successful trade efforts have resulted in California leading the nation in the export of manufactured goods and agricultural products. In the years ahead, our profile in the global economy will need to be further strengthened through an aggressive international marketing campaign by both the public and private sectors. We must also move to implement the recommendations of the California Economic Development Corporation's "Vision: California 2010" report. This report provides a framework for building a stronger, more prosperous state and meeting the challenges of growth and competiton.

Our commitment to continuing the momentum of California's economy into the next decade is also important to the millions of people from all over the world who aspire to a better life in California. It is my hope that we can work together to assure the citizens of California and those who migrate to our state that California will remain the best state it can be.

Most cordially,

George Deukmejian

George Deukmejian

STATE OF CALIFORNIA GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

May 12, 1989

The Honorable George Deukmejian
Governor, State of California
State Capitol
Sacramento, CA 95814

Dear Governor Deukmejian:

Once again it gives me great pleasure to submit to you for transmission to the Legislature the Economic Report of the Governor 1989.

This report provides the Legislature with a report card on California's economic growth in the last twelve months. The information in this year's report was gathered from numerous sources, including the Department of Finance, other state agencies, various publications and private sector experts.

I am pleased to report to you that California's economy is healthier than ever before. The unemployment rate in California is at its lowest rate in 19 years and personal income for 1988 appears to have increased by 8.4 percent, well above the nation's 7.5 percent advance. California remains a AAA rated state and from all measures is forecast to continue this unprecedented growth for the next two years.

I want to take this opportunity to thank the staff in the Department of Finance for their dedication to the production of this report and for a job well done.

Very truly yours,

JESSE R. HUFF
Director of Finance

Attachment

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I. NATIONAL OVERVIEW

Although California is unique in many ways, developments in the national economy remain the dominant influence on activity in the State. Hence, a review of the national situation is essential to an understanding of California's economy.

Last year began with a dark cloud of uncertainty hanging over the U.S. — and worldwide — economic scene. The October 1987 break in stock prices provided an unsettled backdrop to 1988. Although most observers concluded that the economic expansion would survive the selloff in stocks, there was a greater than usual degree of concern. Only a handful of analysts saw a recession on the horizon, but there was widespread agreement that economic growth would slow in the wake of the financial markets' turbulent behavior.

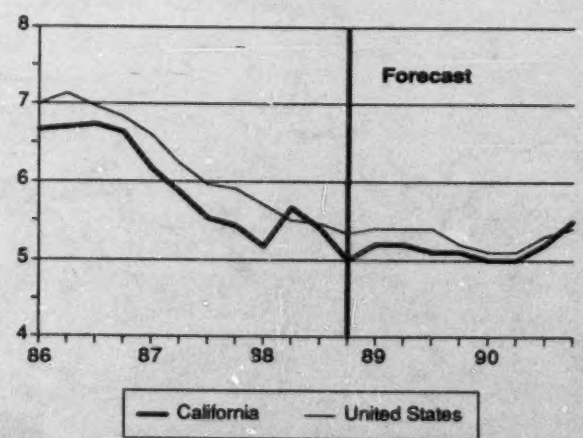
Contrary to these expectations, the pace of economic growth actually quickened in 1988. The economy completed a record six years of peacetime expansion with growth in real GNP of 3.9 percent, a noticeable improvement on 1987's 3.4 percent advance. So robust was the economic performance that worries of a slowdown were quickly replaced by concerns that the economy might be overheating. At yearend, the unemployment rate was at a 14-year low of 5.3 percent and industrial capacity utilization reached the highest level of the decade.

In July, these concerns were heightened by an unusually large upward revision in the gross national product numbers. The annual revision boosted the level of real GNP in the first quarter of last year by more than $50 billion, or 1.4 percent, while 1987's growth rate was pushed up to 3.4 percent from the 2.8 percent gain originally reported.

While the economy is undoubtedly closer to its capacity limits than it was a year ago, there are few signs of an unsustainable boom. True, the jobless rate is low by most recent standards, but as discussed in Chapter II of this *Report*, today's older, more experienced and slower growing labor market seems to tolerate a low rate of unemployment with only a moderate rise in labor costs.

Also contrary to most expectations, there was little increase in the rate of inflation last year. The rise in commodity prices has been quite subdued, despite the drought. There remains substantial worldwide capacity to produce additional quantities of most essential foods and industrial raw materials,

Unemployment Rate
(Percent)



although a few materials such as aluminum and copper appear to be in short supply.

In short, most signs point to a record seventh year of peacetime growth in 1989. However, there are a number of factors which should combine to reduce growth in 1989 to slightly more than 2-1/2 percent. Many analysts believe that this modest slowing will help relieve developing inflationary pressures and thus sustain the expansion beyond 1989. Elements contributing to the slower pace include:

- A more stable dollar should slow the improvement in the nation's trade balance. While still in negative territory, real net exports improved by more than $30 billion in 1988. Progress this year is likely to be more on the order of $20 billion.

- The rise in short-term interest rates of more than 3 percentage points over the last nine months of 1988 will dampen this year's homebuilding activity and, to a lesser extent, consumer spending on durable goods.

- Most surveys suggest a slower pace of business investment this year. Higher interest rates and the prospect of slower growth in exports are among factors influencing investment decisions.

- Budget pressures will continue to hold government spending in check. Real government purchases of goods and services are expected to decline both this year and next.

On the inflation front, while wage increases may quicken somewhat in the year ahead, a return to more normal weather conditions should help stabilize food prices. Energy prices are likely to rise somewhat, but recent history suggests that OPEC may have difficulty maintaining its $18 a barrel target price throughout the year.

Until there is confirming evidence of a slowing in economic growth, the Federal Reserve can be expected to keep upward pressure on interest rates. The rise will continue to be cautious and gradual, to avoid stopping the expansion in its tracks.

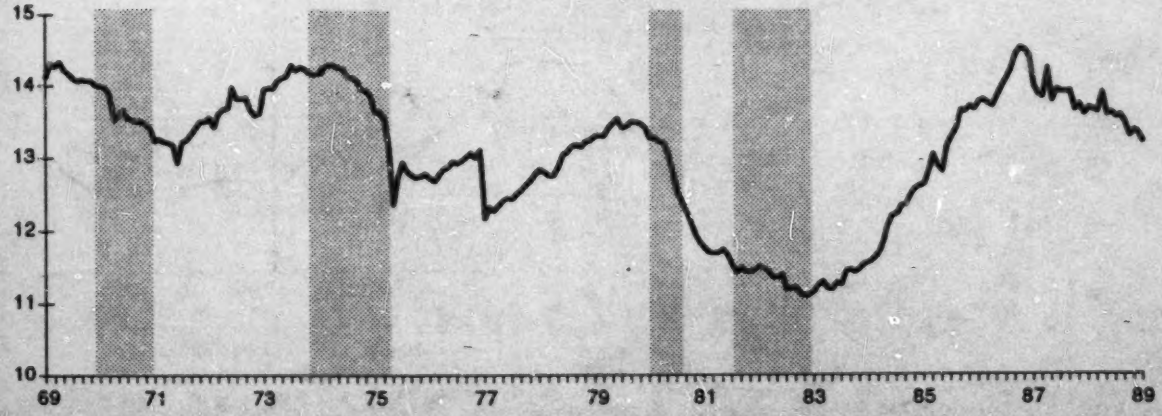
Longer term interest rates have been little affected by the Fed's tightening moves so far. Indeed, most long term interest rates were lower at the beginning of 1989 than they were when the Fed undertook its initial tightening move in April of last year. The bond market's behavior appears to reflect both a favorable longer-term view of inflation and the expectation that a slower economy will allow an easing of credit conditions later this year.

Overall, the U.S. economy is expected to grow by 2.6 percent in 1989, while inflation, as measured by the gross national product deflator, is forecast at 3.7 percent, slightly above last year's 3.3 percent increase. A more detailed look at the major sectors of the economy — the consumer, investment, foreign trade and government — follows.

Consumer Spending: A Steady Pace

Consumer spending, accounting for two-thirds of GNP, is always a key element in the outlook. Although less volatile than investment or foreign trade, subtle changes in consumer behavior can have substan-

United States
Consumer Credit Excluding Revolving Credit
(Percent of disposable personal income)



tial secondary effects throughout other sectors of the economy.

In 1988, real consumer spending increased by 2.7 percent, matching the 1987 advance. The outlook, essentially, is for more of the same. Household buying is being sustained by solid advances in employment and income. Employment was up more than 3-1/2 percent in 1988, with much of the strength toward the end of the year. Although job gains are expected to slow somewhat, growth in 1989 should still be near the 3 percent mark.

Personal income grew 7-1/2 percent in 1988. Real disposable income—after deducting taxes and adjusting for inflation—was up 3.8 percent. As a result, spending not only matched the 1987 advance, but the rate of personal savings also increased, while the household debt burden declined slightly. This year, the modest slowing of employment growth is expected to be offset by slightly higher wage increases, and income growth should again be in the mid-7 percent range.

Income growth should thus be sufficient to sustain spending gains of slightly over 7-1/2 percent in current dollars, or about 2-1/2 percent after adjusting for inflation. Household savings would remain near last year's pace, and debt would increase at about the same rate as income. In other words, consumers are expected to continue their cau-

TABLE I-1
THE NATIONAL OUTLOOK FOR 1989 AND 1990
(Dollars in billions)

	1989	*Percent Change*	*1990*	*Percent Change*
Gross national product $1982	$4,099	2.6	$4,200	2.5
Consumption expenditures	2,656	2.6	2,717	2.3
Durables	420	2.6	428	2.0
Nondurables	904	0.7	911	0.7
Services	1,332	3.8	1,378	3.5
Investment	727	1.1	745	2.4
Nonresidential structures	127	1.5	129	1.5
Producers' durable equipment	382	5.0	401	5.0
Residential	183	−2.8	190	3.6
Inventory change	35	—	25	—
Net exports	−78	—	−62	—
Government	793	1.5	800	0.8
Federal civilian	70	4.6	68	−2.2
Federal military	257	−1.6	251	−2.2
State and local	466	2.8	480	3.0
GNP deflator (1982=100)	126.1	3.7	130.0	3.1
GNP, current dollars	5,169	6.5	5,459	5.6
Personal income	4,349	7.3	4,640	6.7
Corporate profits before taxes	296	0.4	275	−7.0
Wage and salary employment (mill.)	109	2.8	112	2.7
Unemployment rate (percent)	5.3	—	5.2	—
Housing starts (thous.)	1,390	−5.0	1,490	7.2
New car sales (mill.)	10.2	−3.7	10.1	−1.2
Consumer price index	123.8	4.7	128.7	3.9

Percent changes calculated from unrounded data.
Source: Department of Finance forecast as of November 20, 1988.

tious behavior, with spending growth about matching income gains.

The mix of household buying is expected to shift slightly. Higher interest rates and an easing of replacement demand, following several years of strong sales, should combine to dampen slightly the unit volume of new car purchases. Some weakening in the housing market will be reflected in a slowing of growth in furniture and appliance sales. Clothing, which was particularly weak in 1988, will probably stage a recovery this year, aided by a relatively stable dollar and the fact that clothing purchases cannot be postponed indefinitely.

Investment: Slowdown Ahead?

As widely expected, business investment provided a significant boost to the economy in 1988. The expectation of slower economic growth this year rests in part on a less ebullient outlook for capital spending.

Real business fixed investment outlays jumped by nearly 10 percent last year, with the entire gain in the equipment sector, which was up 14 percent. Spending on structures was flat after adjusting for inflation.

The equipment figures, however, may somewhat overstate the growth of investment spending. Much of the strength in equipment was concentrated in computers and other high technology items, which, according to Commerce Department deflators, are sustaining sharp price declines averaging more than 14 percent annually since 1982.

The deflators reflect both actual declines in the prices of computers and other equipment, as well as the vast quality improvements common in the industry. In terms of computing power, the deflators provide a reasonable representation of the real volume of capability being purchased. Certainly, the current practice of factoring in quality improvements is far superior to earlier methods which merely held deflators constant on the grounds that the enhancements could not be accurately measured.

To the extent, however, that real GNP figures are being used by policy makers to gauge the degree to which the nation's productive capacity is being utilized, the real equipment figures may be misleading. For example, employment growth in the electronic components and computer industries lagged behind the gains in total jobs last year, both nationally and in California. This occurred despite the fact that the weaker dollar boosted export sales while at least slowing the growth of imports.

Massive productivity gains coupled with continuing significant product improvements resulted in substantial growth in real output with little additional claim on the nation's labor and capital resources. Far from contributing to inflationary pressures, high technology investment is probably helping to keep price pressures at bay.

Survey data suggest investment plans are less robust this year than in 1988, and order backlogs in some equipment and component sectors have begun to stabilize and in some cases even decline slightly. Real equipment outlays are expected to rise 4 to 5 percent this year, about one-third the rate of 1988's 14 percent advance.

Nonresidential construction is expected to remain essentially flat in 1989. In most markets, commercial office vacancy rates remain high, although 1988 saw slow progress in reducing the supply of excess space in many areas. The supply of industrial space, on the other hand, appears well balanced with demand, and 1989 could see some strengthening of warehouse and factory construction activity.

Business inventories are, if anything, lean relative to sales. The manufacturing inventory-to-sales ratio has been declining for the last four years, despite increased exports which would normally require larger inventories due to longer lead times between orders and shipments.

Retail inventories, which had been of some concern through much of 1988, were cleared by solid Christmas and post holiday sales, and most retailers are maintaining a cautious stance toward restocking. Relatively high new car inventories may dictate production cutbacks and intensified sales incentives through much of this year, however.

Given these cautious inventory policies, even a slowing of sales is unlikely to cause major production cutbacks. While inventories will not contribute to economic growth in 1989, neither will they be a burden.

The prospect of further increases in interest rates and evidence of softer demand in many areas of the nation will continue to dampen homebuilding activity in 1989. Housing starts last year totaled 1.5 million units, down almost 10 percent from the 1987 pace. For 1989, the rate of homebuilding is expected to drop to about 1.4 million units.

With housing demand and house production heavily tilted toward larger, single family units, the trend of real residential outlays has been considerably better than the starts

figures suggest. For example, real residential investment dropped only 3 percent last year, and the decline will probably be even smaller in 1989.

The baby boom generation is aging and is now seeking more family-oriented housing. The demand for entry level "singles" apartments is diminishing and in most areas first-time buyers are also a dwindling share of the market. Homebuilding activity reflects these market realities. A good year for homebuilders may now be 1.5 million rather than 2 million units, but larger size and higher quality are offsetting much of the decline in unit volume.

Foreign Trade: A Tough Act to Follow

Although the fourth quarter was a bit of a disappointment, 1988 saw substantial improvement in the nation's trade balance. As measured in the gross national product, net exports improved to a deficit of $98 billion in real terms from almost $130 billion in 1987. This near 25 percent improvement will be difficult to repeat, and is a major reason that economic growth is expected to slow in 1989.

The main reason for a less dramatic improvement in foreign trade in 1989 is the relative stability of the dollar last year. On a trade weighted basis, the dollar depreciated only 4.4 percent in 1988, following a 13.6 percent drop in 1987 and a 21.5 percent devaluation in 1985. At the end of 1988, the dollar was actually slightly stronger than at the beginning of the year, and early weeks of 1989 saw a further appreciation.

The experience of the last several years is quite instructive with regard to the effects of changes in the exchange value of a currency on trade flows. In 1986 and particularly 1987, many observers were disappointed at the slow progress on the trade front given the large depreciation of the dollar. Most analysts are well aware of the perverse "J" curve effect in which a currency depreciation actually worsens the trade position in the short run, because import prices rise sooner and faster than import volumes fall. What was not adequately recognized were the very long lags between currency changes and trade flows.

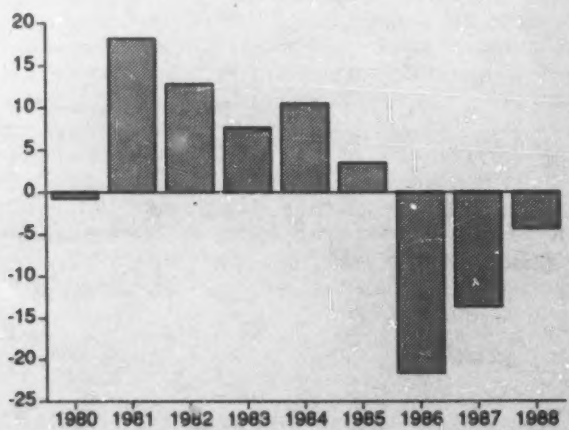
For one thing, most foreign trade requires fairly long lead times between the placing of an order and the shipment of goods. In the case of U.S. exports, sales organizations abroad needed to be established or rebuilt, while U.S. importers may have needed to seek out a domestic source for goods previously purchased abroad.

Many businesses may be unwilling to shift purchasing patterns until they are sure that an exchange rate movement is both permanent and substantial. Importers will often cut profit margins to retain market share and to protect often significant investments in distribution systems and consumer recognition.

In many cases, U.S. buyers could find no domestic maker of products which had customarily been purchased overseas. Eventually, U.S. firms might resume production of certain products, or foreign manufacturers may set up shop in the U.S. This can be a very time consuming process, and may have a perverse effect on trade flows initially, as foreign firms import capital equipment before beginning production in the U.S.

The dollar seems to have found a comfortable range over the past year. While still quite volatile on a daily or weekly basis, it appears that

Trade Weighted Dollar
(Annual percent change)



the markets will not long tolerate a rate much below 120 yen or 1.75 marks. Although a further significant change in the dollar's exchange value cannot be ruled out, it seems more likely that on an annual average measurement, the exchange rate will move a few percentage points in either direction, but not enough to have a noticeable impact on this year's trade situation.

Given a reasonably stable dollar exchange rate, it is probably true that the most dramatic improvement in the trade picture has already occurred. The longer run effects of the dollar devaluation, however, will continue to brighten the trade picture, producing slow, steady improvement over a period of several years. This year might see the export gap narrow by $20 billion in real terms, followed by a $15 billion improvement in 1990.

Lean Times for Governments

Government was not a contributor to economic growth in 1988 and is unlikely to match the overall pace of growth in 1989 as well. Last year, government purchases of goods and services—which exclude such transfer payments as social security, public assistance and federal pensions—were virtually unchanged after adjusting for inflation. There was a large drop in federal nondefense spending, mainly reflecting reduced agricultural purchases as the drought pushed farm prices above government support levels. Federal defense spending also declined in real terms. State and local purchases grew by less than 3 percent.

Tight budgets again dictate slow growth in government spending in 1989. Real defense purchases are expected to drop for the second year in a row. Nondefense purchases will rise mainly due to farm programs, assuming more normal weather and declining crop prices. The requirement under the Gramm-Ruddman-Hollings Act that federal budget deficits be gradually narrowed dictates reductions in most spending programs, including grants to state and local governments. It is expected that there will be continued slow progress in narrowing the federal budget gap.

Real spending by state and local governments is growing in line with real personal income gains. Several of the larger states have experienced unanticipated revenue shortfalls—most related to taxpayer behavior following the 1986 federal tax reform. Depending on how these situations are resolved, state and local spending could be weaker than this forecast anticipates.

The Well Balanced Expansion

The economic expansion is now well into its seventh year. A review of the major sectors reveals an economy which is remarkably well balanced. Consumers have slowed their spending, are saving more and adding to debt at about the same rate as income growth. Inventories are well balanced with sales. The focus of economic growth has shifted to exports and business investment. Both the trade gap and the federal budget deficit are gradually narrowing.

The major threat to the expansion is the possibility that the economy may not be able to sustain its recent growth rate without reigniting inflation. But as the forecast outlined here suggests, there is good reason to expect a slowing of business investment and exports, while consumer and government spending are likely to remain on a moderate and steady course.

The 2.6 percent growth forecast for real GNP will produce gains in nonfarm jobs of about 2.8 percent, or around 250,000 per month on average. Employment gains of this magnitude would place some downward pressure on the jobless rate, and the question is whether or not labor and product markets will become so tight as to start a bidding up of wages and prices. The outlook for inflation and the monetary policy response to it is thus a crucial element in the outlook.

Inflation: Steady So Far

Thus far, a worsening of inflation remains a worry rather than a reality. Stripped of the volatile food and energy components, the underlying rise in the consumer price index has been remarkably stable at around 4 percent a year since mid-1983.

Last year's drought added less than a half percentage point to the CPI, considerably less than most analysts had expected. Even this modest effect was largely offset by weakening energy costs, and the overall rise in consumer prices was held to 4.1 percent in 1988.

Still, the worries persist, reinforced by some stirrings in several underlying price and cost measures. Producer prices, especially at the intermediate and crude goods levels, have accelerated in recent months. Employment costs rose more than 4-1/2 percent last year, up from only 3.3 percent in 1987. Much of the 1988 deterioration can be traced to higher benefit costs, including the rise in the employer paid portion of social security payroll taxes. However, in recent months, underlying

wage measures have also started climbing at a more rapid pace.

Employment cost increases are offset to some extent by productivity gains. Last year's 1.5 percent increase in output per hour of work was about average for this business expansion. However, as the economy utilizes an increasing share of its resources, productivity gains become harder to achieve, as less efficient plant, equipment and labor are drawn into use. At best, therefore, 1989 will probably see productivity gains again in the neighborhood of 1 to 1-1/2 percent.

Overall, the outlook is for moderate upward pressure on prices this year. Some residual effects of last year's drought will show up in higher meat prices by spring. Labor shortages are most pronounced among lower paid occupations, and certain service and retailing activities are experiencing cost pressures which may intensify if the jobless rate drops further. Although it is not expected that OPEC will be entirely successful in controlling production and achieving its $18 a barrel target price, energy costs are nonetheless likely to rise somewhat more in 1989 than during the previous year.

Consumer prices are expected to rise by about 4-3/4 percent this year. Whether or not 1989 will mark the beginning of an upward trend of inflation remains to be seen. The outlook for a slowing of economic growth later this year and in 1990 would relieve the upward pressure on costs and prices. In these circumstances, the rise in consumer prices could easily fall back to 4 percent or less in 1990.

Monetary Policy: Soft Landing Ahead?

Since March of last year, the Federal Reserve has been gradually tightening monetary policy with the objective of reducing the pace of economic growth to around 2-1/2 percent, which the monetary policymakers believe is in line with the economy's long range potential growth rate. Evidence of this steady tightening can be seen in the 3-1/2 percentage point increase in the federal funds rate, from about 6-3/8 percent in February-March 1988 to around 9-3/4 percent in March 1989.

Federal funds represent the cost of money traded among banks, and can be directly influenced by the Fed's open market operations, which add or drain reserves from the banking system. Other short-term interest rates generally moved in step with the funds rate. The bank prime rate rose from 8-3/4 percent early last year to 11-1/2 percent by March. Three- and six-month Treasury bill yields rose about 3-1/2 percentage points.

A different pattern, however, can be seen in the longer end of the market. Treasury bond yields, which for a while rose in sympathy with the funds rate, have moved in a relatively narrow range of 8.8 to 9.2 percent since last fall. Because bond interest rates are believed to incorporate longer term price level expectations, many observers suggest the relative calm in the government bond markets reflects the conviction that the Fed will succeed in slowing the economy and containing inflation.

TABLE I-2
INFLATION TRENDS, 1988 TO 1990
(Percent change)

	1988	*1989*	*1990*
GNP Deflator	3.4	3.7	3.1
Personal consumption expenditures	4.2	4.9	3.9
Business fixed investment	—0.2	1.1	1.1
Residential investment	3.1	1.3	3.4
Government purchases	4.1	3.9	3.9
State and Local purchases	4.6	4.6	4.2
Consumer Price Index			
United States	4.1	4.7	3.9
California	4.5	5.6	4.6
San Francisco	4.4	5.6	4.5
Los Angeles	4.6	5.5	4.6

Source: U.S. Department of Commerce
Department of Finance forecast as of November 20, 1988.

The Fed's steady tightening, coupled with the bond market's sanguine view, has produced an inverted yield curve—that is, a condition in which short term interest rates are higher than longer term yields. The curve is called "inverted" because longer term instruments carry a greater risk and would normally be expected to command a higher return. An inverted yield curve may imply that current short-term interest rates are "abnormally" high—that is, higher than the market's expectation of future interest rates. Inverted yield curves have often—not always—preceded a recession, but the lead time has been as much as two years.

As usual, the Fed is receiving plenty of advice and criticism. Some analysts worry that the slowing of money supply growth—evident for more than two years—could very well portend more than a modest slowing of economic growth. Although the Fed continues to set targets for the broader measures of money supply—M2 and M3 —policymakers have made it quite clear that the behavior of a variety of other economic figures, including employment, industrial production, consumer spending and inflation, are guiding their actions.

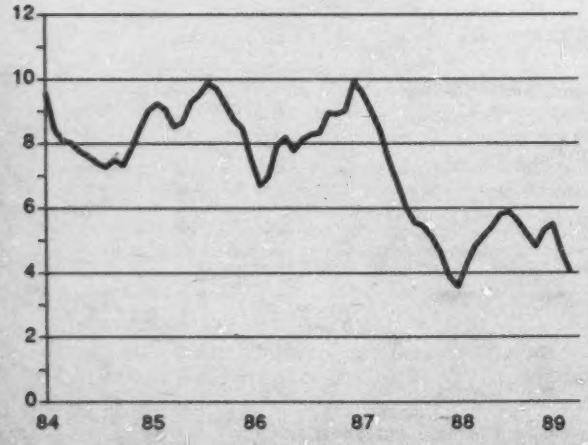
Money supply has been all but abandoned because of what appears to be a broken linkage between money and the economy. That is, there does not seem to be any monetary indicator which has proved a reliable predictor of the economy during the last six or seven years.

Monetarist observers acknowledge that deposit interest rate deregulation, among other institutional changes, has altered the short-run relationship between the money supply, economic growth and inflation. But they contend that there is considerable danger in ignoring the prolonged slowdown in money supply growth, which they believe remains a good longer run leading indicator of economic activity. By reacting to the behavior of such current measures as employment or retail sales, it is feared, the Fed is almost certain to tighten too much and too long, and eventually push the economy into recession.

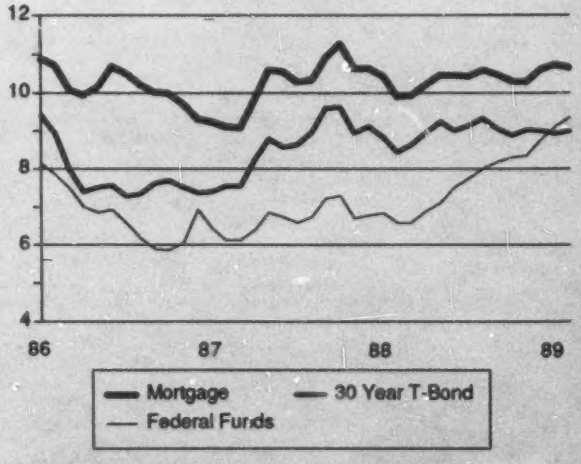
Others are uncomfortable with the Fed's "potential GNP" approach to monetary policy. While agreeing that an overheated economy will result in upward pressure on prices, many are skeptical that potential GNP or a potential noninflationary growth rate can even be calculated before the fact. With the benefit of hindsight, it is possible to conclude that 3 to 4 percent unemployment was inflationary in the late 1960s; a decade later, the "flashpoint" seemed to be in the mid-6 percent range. It has already been demonstrated that the economy will tolerate lower unemployment today, but how much lower is a matter of considerable speculation.

The economic forecast given here, prepared in November 1988, contemplated a slow rise in interest rates, with Fed funds reaching a peak of around 9 percent in late summer of this year. By March, the funds rate was already a full percentage point higher than the forecast peak, and the odds seem to favor further increases as the year unfolds. Given the imprecise relationship between interest rates and economic growth, slightly higher short-term borrowing costs do not necessarily alter the economic outlook, especially for the remainder of 1989. However, the Department of Finance will issue an updated eco-

Growth in the Money Supply (M2)
(Percent change from previous year)



Selected Interest Rates
(Percent)



nomic forecast in May which will take account of early 1989 financial developments.

Although the Fed appears to be pursuing the only realistic course open to it in the circumstances, interest rates and inflation remain the principle risks to the economic outlook. Given the lags between monetary developments and the economic performance, the Fed may have already tightened too much, and a downturn could be underway before year-end. On the other hand, the cautious approach may prove too little too late. Economic growth may not slow in response to incremental tightening. Inflationary pressures—and expectations—could build as the year progresses.

While neither of these is considered the most likely outcome, forecasts of either faster growth or recession cannot be dismissed out of hand.

II. CALIFORNIA OVERVIEW

California is, by a wide margin, the largest state economy in the nation. By most measures, the State now accounts for about one-eighth of economic activity in the United States. Specifically, 1988 figures show:

- Population of 28,314,500 represents 11.53 percent of the nation, and is growing at almost two and one-half times the national rate.
- Personal income of $534 billion is more than 13 percent of the nation.
- Total employment of 13.4 million is 11.7 percent of the nation.
- Retail sales of $192 billion equal 12 percent of U.S. retail trade.

Although official figures have not yet been released for 1988, income data suggest California's share of U.S. GNP was at least 12.6 percent last year. California's gross product is about the size of Italy or the United Kingdom, produced by a population half as large as that of either country.

California's economy also continues to grow faster than the national average. In 1988, non-agricultural wage and salary employment increased by 3.8 percent on an annual average basis, compared to a 3.6 percent gain nationally. During the course of the year, more than half a million new nonfarm jobs were created. December to December job gains amounted to 4.2 percent, indicating that the pace of growth quickened as the year progressed.

Unemployment ended 1988 at a 19-year low of 4.7 percent. Although the monthly jobless rate is quite volatile, the annual average of 5.3 percent was the lowest since 1969's 5.2 percent reading. Thus far, the six-year economic expansion has cut the state's unemployment rate by more than half.

Personal income growth reflects the state's robust job market. For 1988, income grew by 8.4 percent, well above the nation's 7.5 percent advance. Income growth in 1988 was in line with the previous year's 8.7 percent increase.

Population Growth

California's rapid population growth continues to defy most expectations. In 1988, for the second year in row, the state's population increased by more than 660,000. The last two years have seen the largest numerical gains in the state's population since the middle

TABLE II-1
PERSONAL INCOME AMONG THE LEADING STATES
(Total income in $ billion)

Total income	*1986*	*1987*	*Per Capita Income*	*1986*	*1987*
CALIFORNIA	$453.4	$493.0	Connecticut	$19,547	$21,266
			New Jersey	18,793	20,352
New York	299.3	320.9	Massachusetts	17,635	19,142
Texas	225.2	232.8	Alaska	18,378	18,230
Illinois	179.1	190.4	Maryland	16,934	18,124
Florida	171.0	187.4	New York	16,821	18,004
Pennsylvania	169.9	181.6			
Ohio	148.9	157.6	CALIFORNIA	16,792	17,821
New Jersey	143.3	156.1			
Michigan	135.3	141.6	New Hampshire	16,396	17,529
Massachusetts	102.9	112.1	Delaware	15,498	16,696

Note: States are ranked by 1987 figures.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

of World War II, when vast military movements temporarily boosted population.

Most analysts, including the U.S. Department of Commerce, have expected the state's population and economic growth to gradually move closer to the national rate of increase. As the largest state, it seems difficult to accept that California can continue to grow at a rate two to two and one-half times the national average.

For a time in the 1970s, this "convergence" of population growth rates seemed a reasonable expectation. Indeed, in 1971 and 1972, the state's population growth rate barely matched the national average. For the entire decade, California's growth rate was about one and one-half times the national increase.

The 1980s, however, have seen a renewed spurt of growth. There are several reasons for the more rapid increase. A more vigorous economy, especially compared to the energy producing states of the Mountain and Southwestern regions, has no doubt given California a larger share of those who move to seek better job opportunities.

California's sizeable Latin American and Asian ethnic populations have attracted a very large share of immigrants from abroad. In 1988, it is estimated that nearly two-thirds of the 375,000 net migration to the State were foreign immigrants. In addition, a portion of the remaining domestic migration is, in fact, foreign born, representing those resettling after initially locating in another part of the U.S.

A rising birth rate has also added substantially to growth in the 1980s. Last year, natural population increase—the difference between births and deaths—added almost 300,000 to the state's population, more than twice the natural gain of the mid-1970s.

The rising birth rate is a national phenomenon—the baby boom "echo" of the 1980s, which followed the sharply lower birth rates of the late 1960s and 1970s. But in California, the rise in the number of births has been more pronounced, due in part to the growing ethnic populations, which are typically younger and display higher birth rates than the population average.

Convergence may yet occur, but it appears to be many years—or decades—in the future. In the meantime, there are reasons to expect some modest slowing in population growth over the next few years. The economies of other Western states have begun to recover, and they can be expected to take a somewhat larger share of the nation's internal migration.

The state's population figures include estimates of undocumented aliens, and to the extent the new immigration law slows cross border flows, there may be some dampening of migration. There is evidence that the birth rate may be reaching a peak, and natural increase may drop off slightly in the next few years.

To a degree, population growth can pose problems. In some areas, there are developing strains on transportation systems and other public infrastructure. Despite several years of record homebuilding activity, home prices are again being bid up at a very rapid pace, far exceeding the national rate of

TABLE II-2
POPULATION AND LABOR FORCE TRENDS
(In thousands)

	1988	*1989*	*1990*
Total population (July 1)	28,314	28,897	29,459
Percent change	2.4	2.1	1.9
Civilian labor force	14,036	14,531	14,947
Percent change	2.2	2.8	2.9
Civilian employment	13,292	13,784	14,173
Percent change	2.7	3.1	2.8
Unemployment	743	746	774
Percent change	−6.1	−1.6	3.7
Unemployment rate	5.3	5.1	5.2

Source: California Employment Development Department.
California Department of Finance forecast as of November 20, 1988.

increase. High housing costs can be expected to discourage migration, and some employers are beginning to report difficulties in filling job openings in parts of Southern California and the Bay Area.

There are, of course, vast areas of California where housing costs are moderate and growth is more easily accommodated. It is these areas of inland Southern California, the Central Valley and Sierra Foothills where population growth, in percentage terms, is most rapid.

This inland trend is likely to continue for the foreseeable future. Areas of Riverside and San Bernardino counties near Los Angeles and San Joaquin, Stanislaus and Solano counties in and near the Bay Area are receiving substantial numbers of commuters from the more densely populated neighboring regions. Past experience suggests that jobs will eventually migrate into these developing suburban areas, as was the case in Orange County in the 1960s and more recently along the I-680 corridor in the East Bay counties of Alameda and Contra Costa.

Other inland areas, such as Fresno and Sacramento, are regional economic centers in their own right. These areas have the "critical mass" of population serving activities and public and private infrastructure to attract new business and industry. Affordable housing, low cost business and industrial space, large existing workforces and proximity to the major coastal business centers and mountain recreation areas are among the elements contributing to the growth of these and other Central Valley metropolitan areas.

Labor Force Developments

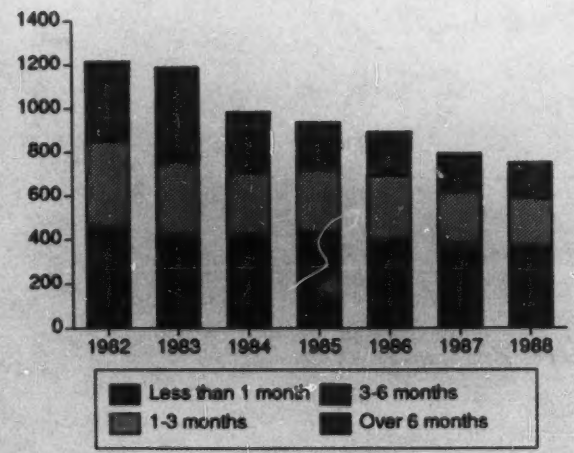
In 1988, California's civilian labor force grew by 2.8 percent, a slight slowing from the 3.1 percent advance recorded in 1987. Demographic forces, including the declining teenage population, and the inevitable slowing in the rate of growth in labor force participation among women, provide the likely explanation for this deceleration in labor market growth.

In addition, as noted in last year's *Report,* California's share of the national monthly household sample, from which labor force, civilian employment and unemployment figures are estimated, was cut drastically in 1988. This cut in the sample size resulted in less reliable estimates of the labor force and employment, and in particular, the residual unemployment figure. Fortunately, the California sample size will be gradually restored beginning later this year, and eventually increased slightly from its level before the 1988 cut. Monthly data for 1990 and subsequent years should therefore prove more reliable than the current estimates of labor force and unemployment.

The unemployment rate, measured on an annual average basis, dropped to 5.3 percent in 1988, its lowest level in 19 years. The rate of unemployment—the percentage of the labor force out of work—was cut by more than half from early 1983 to the end of 1988. The absolute number of unemployed has been reduced from 1,450,000 in early 1983 to less than 700,000 at the end of last year.

The expansion has had an even more dramatic effect on the duration of unemployment. At year end,

Number of Unemployed by Duration
(In thousands)



over 43 percent of the unemployed had been out of work less than four weeks, and more than three-quarters had been unemployed less than three months.

By contrast, long term unemployed —those out of work six months or longer—accounted for fewer than 10 percent of the jobless in December 1988. While the total number of unemployed dropped 57 percent from early 1983 to the end of 1988, the number unemployed longer than six months was slashed by 80 percent.

Full Employment? The jobless rate has fallen to the point that in some areas of the State, "full" employment may have effectively been reached. In December 1988, 21 of the state's 58 counties recorded unemployment rates of less than 5 percent; 14 were under 4 percent and in 4 counties, the rate was 2-1/2 percent or less.

Labor markets are tightest in the coastal metropolitan areas, including in the Bay Area, the San Francisco, Oakland and San Jose metropolitan areas, and Los Angeles, Orange and San Diego counties in the Southland. These are the state's most heavily urbanized and industrialized counties, and developing labor shortages are a matter of some concern, especially in retailing and certain service categories, including health care.

Nonetheless, while the current unemployment rate seems low by the standards of the 1970s and most of this decade, rates of around 5 percent were considered quite normal in the 1950s and 1960s. The labor markets may now be returning to conditions more similar to those of 20 or 30 years ago.

With the aging of the baby boom generation, the absolute number of young and inexperienced workers is declining, even in fast growing California. The fastest growing population segments are now the 25 to 34 and 35 to 44 age groups, which are more experienced and whose employment patterns tend to be more stable. The higher proportion of the population in the "prime" working years by itself would tend to produce a lower jobless rate.

At the same time, the massive shift of women into the labor force seems to be coming to an end, for the simple reason that in the key under 45 year old age groups, women's labor force participation is now approaching that for men. Moreover, in the 1960s and 1970s, when the female labor force was dominated by newer entrants, unemployment among adult women was higher than the comparable rate for men. Today, the rate for women is slightly lower on average.

All of the this suggests that the so-called "full employment" or "natural" rate of unemployment has fallen substantially during this decade. Unfortunately, the rate is

TABLE II-3
UNEMPLOYMENT RATES FOR SELECTED COUNTIES
(Unemployment as a percent of civilian labor force)

Lowest rate Counties	*December 1988*	*1988 Year*	*Lowest rate Counties*	*December 1988*	*1988 Year*
San Mateo	2.2	2.8	Sacramento	4.4	5.2
Marin	2.4	3.0	Ventura	4.6	5.3
Alpine	2.5	6.6			
Orange	2.5	3.1	*Highest rate Counties*		
Mono	3.0	5.0			
San Diego	3.3	4.3			
Santa Clara	3.3	4.0	Imperial	17.6	21.3
San Francisco	3.4	4.3	Colusa	13.8	10.5
San Luis Obispo	3.5	4.1	San Benito	13.2	13.5
Alameda	3.6	4.6	Trinity	13.2	11.1
Los Angeles	3.6	4.9	Sutter	12.8	12.3
Contra Costa	3.7	4.6	Plumas	12.3	11.2
Santa Barbara	3.7	4.4	Madera	10.6	10.9
Napa	3.9	4.5	Siskiyou	10.5	10.7
Inyo	4.0	4.6	Del Norte	10.2	12.3
San Bernardino	4.0	5.1	Sierra	10.2	9.1
El Dorado	4.1	4.8	Stanislaus	10.2	12.0
Placer	4.1	5.1			
Sonoma	4.2	4.7	CALIFORNIA	4.3	5.3

Note: Data are preliminary and are not seasonally adjusted.
Source: California Employment Development Department.

very difficult to measure, and current estimates range from 5-3/4 percent down to 4-3/4 percent.

One result of an overheated labor market should be upward pressure on wages. On an overall basis, however, wage evidence remains ambiguous in California. As Table II-4 indicates, average wages actually increased less in 1988 than in the previous year. There were a number of special factors which may distort this comparison, however. Average wages in the finance and service sectors were affected by exceptionally large bonus payments in 1987, which were not present in 1988. On the other hand, 1988 was affected by the minimum wage hike, most visible in the 9.5 percent jump in average wages in the trade sector.

Manufacturing wages were generally free of these distortions, but again wage increases were less in 1988 than in 1987. Manufacturing is more exposed to foreign competition, which may explain the relatively subdued wage increase last year. It should be noted, too, that wage pressures are believed to show up only after "full employment" has been reached or exceeded for a considerable period of time. By the same token, following an extended period of tight labor market conditions, wages may continue to rise rapidly even after the unemployment rate has begun a cyclical rise.

As noted in the previous chapter, national wage data are also less than clearcut, since much of last year's increase in compensation costs reflected the rise in social security payroll taxes. Many analysts believe that present labor market conditions are similar to the 1950s, when an older labor force was more interested in job security than rapid pay increases.

Employment Growth. Total civilian employment increased 3.3 percent on average in 1988, and was up 3.6 percent on a year-end comparison. Last year's gain followed an exceptionally strong 4.1 percent average increase in 1987. As discussed below, the establishment employment figures, covering nonagricultural payrolls, show a steadier growth pattern of about 3-3/4 percent in each of the last two years.

The civilian employment data show an increase of more than 2.7 million persons employed from the end of 1982 to the end of last year. Thus, California's economy has produced enough jobs to slash the unemployment rate by half, while absorbing record numbers of new residents, many of whom have entered the workforce over the last several years.

Nonagricultural wage and salary employment increased 3.8 percent in 1988, following a similar 3.7 percent gain in 1987. Over time, the civilian and wage and salary employment data should show similar trends and growth patterns, but the data differ in several important aspects, and should not be expected to show identical results each year.

The wage and salary or establishment employment data are based on actual payroll tax records, which are sampled each month, and benchmarked annually to the full payroll report for the month of March. Because the sample size is larger, and because of the annual benchmarking, the establishment series is considered by most analysts to be the more reliable of the

TABLE II-4
AVERAGE WAGES, 1987 AND 1988
(Percent change)

	1987	*1988*
All industries	5.5	4.7
Mining	0.5	5.2
Construction	2.6	3.7
Manufacturing	4.4	3.9
Transportation-utilities	2.8	4.5
Trade	3.1	9.5
Finance-insurance-real estate	9.7	3.9
Services	8.4	2.8
Federal government	3.4	5.1
State and local government	6.0	5.1

Source: California Department of Finance.

TABLE II-5
MAJOR COLLECTIVE BARGAINING
NEGOTIATIONS IN CALIFORNIA IN 1989 [a]

Month	*Industry*	*Number of workers*
January	All industries	5,130
	Transportation by air	3,630
February	All industries	56,010
	Retail food and liquor stores	51,320
March	All industries	49,950
	Communications	18,500
	Eating and drinking places, hotels and other lodging places	12,150
	Food and kindred products	12,000
April	All industries	4,580
May	All industries	17,320
	Eating and drinking places, hotels and other lodging places	4,000
	Construction	3,000
June	All industries	113,180
	Construction	91,180
	Motion pictures	6,000
	Retail trade except food and automobiles	5,670
	Paper and allied products	3,000
July	All industries	27,480
	Construction	8,560
	Professional, educational, and related services	4,800
	Food and kindred products	4,200
August	All industries	90,040
	Communications	67,130
	Eating and drinking places, hotels and other lodging places	7,900
	Construction	6,040
	Non-metallic minerals, except fuels	3,500
September	All industries	8,890
	Agriculture and mineral extraction	3,800
October	All industries	9,940
	Aircraft and ordnance	6,240
	Eating and drinking places, hotels and other lodging places	3,000
November	All industries	17,900
	Professional, educational, and related services	12,600
December	All industries	7,500
	Aircraft and ordnance	6,500
	Total	407,920

[a] During the months specified, the individual industries listed have at least 3,000 workers involved in bargaining. The all-industries total includes all contracts covering 500 workers or more in each of the months specified.

Source: California Department of Industrial Relations.

two sets of employment data. Also, the establishment data are reported on an industry basis, providing a far more detailed look at trends in the economy.

In addition to the method of data collection, however, there are conceptional differences between the establishment and civilian jobs figures. The official title of the establishment series, "Nonagricultural Wage and Salary Employment", explains at least two major differences: the establishment data exclude agricultural workers and the self employed, as well as private household workers. There is also an important difference in what is being counted: civilian employment (household survey) counts the number of people employed; the establishment series reflects the number of jobs.

The latter distinction can be quite important, especially at those times when the economy is approaching full employment. One very plausible explanation for the slowing of civilian employment growth in 1988 was the dwindling pool of unemployed. In such circumstances, there is often an increase in the number of dual jobholders. Hence, when the economy is near full employment, it is not surprising to find the number of jobs (wage and salary employment) growing faster than the number of workers (civilian employment).

A final note on the establishment data: the Department of Finance has found that shifts in the trend of employment can be detected more quickly if the data are benchmarked more frequently to the complete payroll population. The sample panel, on which the monthly wage and salary figures are based, must of necessity rely mainly on well established firms. Because of this, new firms—and smaller business failures—are often missed in the monthly estimates. The data are corrected at the annual benchmark, but the revisions are made almost a year after the benchmark month.

For this reason, the Department maintains an "interim" benchmark series, which is tied to the most recent quarterly report of payrolls. The series is revised more frequently and at times can be more volatile than the official figures. However, the interim figures provide a good early warning of shifts in the economy.

At this writing, just after the annual official benchmark revisions, there is little difference between the interim and official figures. Late in the year, however, the two series can diverge, especially in those industries such as services, construction and retailing in which smaller firms play a significant role.

New Standard Industrial Codes

Much of the nation's statistical reporting system is in the process of converting to a new set of Standard Industrial Classification codes (SIC). The new 1987 codes represent the first major overhaul of the system by which industries are defined and classified in 15 years.

The nation's economy is constantly changing and it is necessary from time to time to change the statistics which describe it. For example, when video equipment and tapes were expensive and rather exotic devices, firms renting these items were classified under business services, since most of their customers were businesses. In the 1980s, a whole new home video industry was born, which is logically a part of

TABLE II-6
IMPACT OF SIC CODING CHANGES ON AEROSPACE EMPLOYMENT
1988 ANNUAL AVERAGES
(In thousands)

Industry	*Old Definition (1972 SIC)*	*New Definition (1987 SIC)*	*Difference (New-Old)*
Aircraft	172.3	166.1	−6.2
Missiles/space	81.2	81.3	0.1
Aerospace instruments	--	131.5	131.5
Computers	107.8	109.3	1.5
Radio and TV	15.1	--	−15.1
Communication equip	168.7	36.3	−132.4
Electronic components	157.6	155.9	−1.7
Measure/control instr	57.7	70.9	13.2
Total Aerospace and Electronics	760.3	751.2	−9.1

Source: California Employment Development Department.
California Department of Finance.

the motion picture distribution industry. The new SIC codes recognize this change.

The first reports to use the new SIC codes are the payroll figures on which personal income and establishment employment data are based. The last payroll report produced on the old 1972 SIC basis was for the first quarter 1988, and the official employment series will remain on the old basis until early next year. However, it has been necessary to shift the interim employment estimates to the new SIC codes.

The code change has had very little effect at the industry division (i.e. construction, manufacturing, trade, services, etc.) or "one-digit" SIC level. Industry comparisons for personal income, therefore, have not been affected by the revision. However, below the industry division level, there have been a number of shifts, including the "creation" of whole new industry classifications.

The most pronounced changes have been in high technology (aerospace and electronics) manufacturing and in services. The code revision provided an opportunity to revise the previous, outdated definition of the aerospace sector. Because about half of employment in the "aerospace" industries is in fact unrelated to either space or aircraft, the group has been renamed High Technology Manufacturing, which includes both the aerospace and electronics components.

Aerospace includes aircraft and parts, missiles and space vehicles, and aerospace instruments, a "new" industry covering navigation and detection instruments taken mainly from communications equipment. The electronics industries include electronic components, office and computing machines, communications equipment and measuring and controlling instruments. Radio and TV receiving equipment, related almost entirely to the consumer market, is being dropped from the high tech group.

There have been several changes in the services industries as well. In addition to moving video rentals from business services to motion pictures, a new "business professions" industry has been created from business services and other services. The new industry includes engineering, accounting, research and development, management consulting and public relations.

The other significant change is the movement of health spas and clubs from personal services to amusements and recreation. In this *Report*, tables in the Appendix are the official employment numbers on the 1972 SIC basis. In the text of the *Report*, reference to employment on the new SIC basis will be clearly identified.

Forecast Overview

The outlook for each major sector of the California economy is covered in the following chapters on The California Consumer, Goods Producing Industries and Service Producing Industries. This section provides a brief overview of the outlook.

Data Revisions. The basic forecast included in this *Report* was prepared in late November 1988 for the Governor's Budget, released in January of this year. Since then, the Department of Finance's basic view of the economy has not changed: 1989 is expected to see a somewhat slower pace of economic growth, both nationally and in California, but the state's economy is expected to continue to outperform the nation.

However, since the Budget forecast was prepared, several important California data revisions have been received, with better estimates now available for activity in the closing months of last year. Using the March 1988 official benchmark, along with a third quarter 1988 interim revision, wage and salary employment now shows a more even pattern. Growth in 1987 has been revised down slightly, while gains in 1988 were slightly larger than originally reported. As a result of these revisions, the overall level of employment in the fourth quarter of 1988 was about 80,000 (0.7 percent) higher than assumed in the forecast.

Personal income has been revised sharply upward for the latter half of 1988. In the fourth quarter, income was running $14 billion (2.6 percent) higher than had been assumed last November. Fourth quarter income growth, in particular, is now estimated to have been very strong. For the year, 1988 personal income now appears to have increased by 8.4 percent, a full percentage point above the Budget forecast estimate.

As a result of these revisions—the fact that the new year began at a higher level of activity—the percentage growth in both employment and personal income will undoubtedly be stronger than the budget forecast indicated. In this discussion, the forecast growth ranges are those based on the revised data.

It should be noted that similar benchmark revisions for U.S. employment will not be available until May, and the annual personal income revisions will be made in July. California income for 1988 will be revised in May, when fourth quarter payroll reports are received, and again in August to tie to the U.S.

Department of Commerce estimates of the states' personal income.

The Department of Finance will release a new forecast of the U.S. and California economies in May. The updated outlook can be obtained on request to: Economic Research Unit, California Department of Finance, 8th Floor, 915 "L" Street, Sacramento, California 95814.

The Forecast. California's economy entered 1989 with considerable momentum. As indicated previously, growth in both employment and income was stronger in the second half of 1988 than in the early part of the year. There are, however, several reasons to expect a somewhat more subdued rate of growth as the year unfolds:

- The rise in interest rates will lead to a dampening of both residential and nonresidential construction activity.
- Capital spending is expected to slow nationally in 1989. Because computers and other high technology equipment were such an important element in last year's investment growth, the slowdown is expected to affect the state's components and equipment manufacturers.
- Defense spending will continue to slow. The reduction in these outlays will, however, be partly offset by increased commercial aircraft production and gains in space agency outlays.
- Export growth is expected to be less vigorous, reflecting the relative stability of the dollar.
- Tight labor markets will inhibit growth in many coastal metropolitan areas.

Despite these dampening influences, annual figures for the State will remain quite robust. Wage and salary employment, for example, should again grow in the 3-1/2 to 3-3/4 percent range. The pattern within the year, however, may be a mirror image of 1988, with stronger gains early in the year, and some slowing in the second half. Personal income growth should also top 8 percent again in 1989. Both of these broad measures for California will exceed national rates of increase.

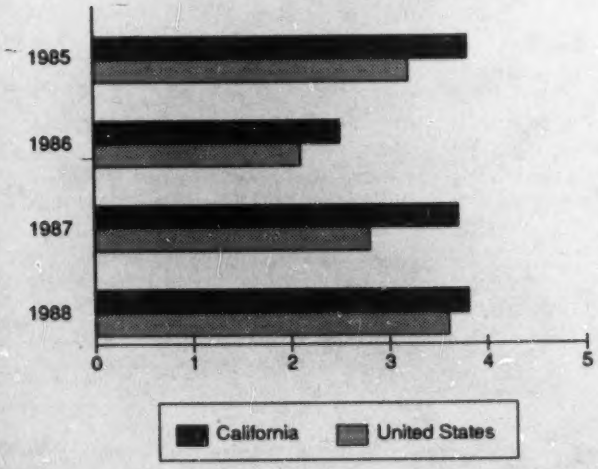
The Diversified Economy

One quite subtle but very important feature of this long economic expansion in California has been the diverse elements which have contributed to it. Although California has long been the nation's largest regional economy, exceptional growth in the past has generally been related to the performance of one or two industries, and these have usually been in the high technology sector.

The technology group remains very important to California, accounting for one-third of all manufacturing jobs. The industries have grown each year during the 1980s, contributing to the expansion. But with the exception of 1984, electronics and aerospace have not been the main engines of expansion in California.

Instead, growth has come from a variety of sources, including a number of more traditional "smokestack" industries not normally associated with California. Construction and a variety of services—business services, the professions, a virtual boom in hotel employment as well as amusements and recreation —have all made substantial contri-

Growth in Wage and Salary Employment
(Percent change)



butions to the state's growth. Recently, agriculture and food processing have shared the spotlight as well.

This diversity helps to explain why California is perhaps the one major region of the nation that has not experienced one of the "rolling recessions" which many observers believe have contributed to the national expansion's longevity by keeping the overall pace of growth from developing into a boom. The State does have elements of each of the industries which have suffered temporary setbacks during this expansion: local economies have not been immune to effects of slowdowns in agriculture or energy or finance or computers. These situations have been mitigated at the state level, however, by sustained growth in other sectors.

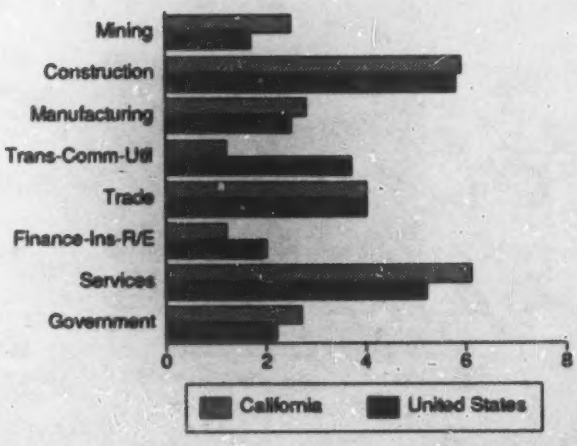
It is sometimes tempting to single out one or two industries as being California's most important or leading industry. Usually, some form of multiplier analysis is used, in which an industry's direct employment is multiplied by a factor—usually two or three, but occasionally up to five or six—to capture the secondary effects of the industry.

These include not only suppliers to the industry, but also those in retailing, finance, the utilities and other service industries who benefit indirectly from the spending of the employees and suppliers of the "leading" industry. Carried to its conclusion, the multiplier encompasses second, third, and fourth rounds of support activities which benefit from the jobs created by the spending of the first round of retailers, bankers or even government employees.

And so it goes until the leading industries—agriculture, electronics, aerospace, tourism, foreign trade, construction—account for more than the total number of jobs in the State, without even considering a long list of other basic industries each of which brings considerable outside income to California.

It fact, it is very difficult to determine which is California's "leading" industry. California's diversity is perhaps its most important strength. Over the long run, the industries with major representations in California—electronics, aerospace, specialty agriculture, business services, finance, to list a few—provide a base which will certainly help produce above average growth. Less noticed, but no less important, are such industries as lumber and paper and printing, chemicals and plastics, apparel, furniture, primary metals and metal fabrication, all of which have helped sustain this long period of economic growth.

Employment Changes by Industry, 1988
(Percent change)



III. THE CALIFORNIA CONSUMER

Consumers—the household sector—comprise two-thirds of the economy. Californians, who represent about 11-1/2 percent of the nation's population, earn over 13 percent of U.S. personal income. Per capita income is 15 percent above the national average, ranking seventh among the fifty states. California's share of the nation's retail sales is more in line with the state's share of population. Higher housing costs and the tendency, as income rises, to spend more on services probably explains the difference between the state's shares of income and sales.

Personal Income

In 1988, California personal income totaled $534.2 billion, an increase of 8.4 percent over 1987. Per capita income increased 5.9 percent, to more than $18,850. Income gains outpaced both the growth of population and the rise in prices (as measured by the GNP personal consumption deflator), with the result that real per capita incomes advanced 1.6 percent. Thus incomes, even on a per capita basis, continue to stay ahead of inflation.

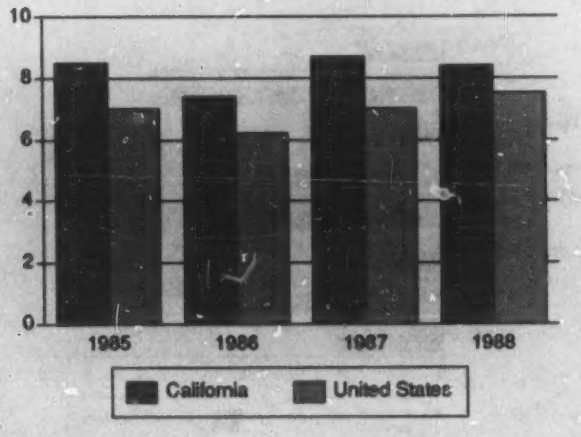
Wages and salaries, at $320 billion, account for 60 percent of income. The 8.6 percent growth of wages and salaries was slightly above the overall gain in personal income. Among industries, there was considerable diversity, with gains influenced by employment growth, wage rates, bonuses and some special factors.

Wages in wholesale and retail trade advanced 13.8 percent. With employment growth of 4 percent, per worker wages increased almost 10 percent last year. The July minimum wage increase affected retail trade more than most industries, and probably accounted for a considerable portion of last year's increase.

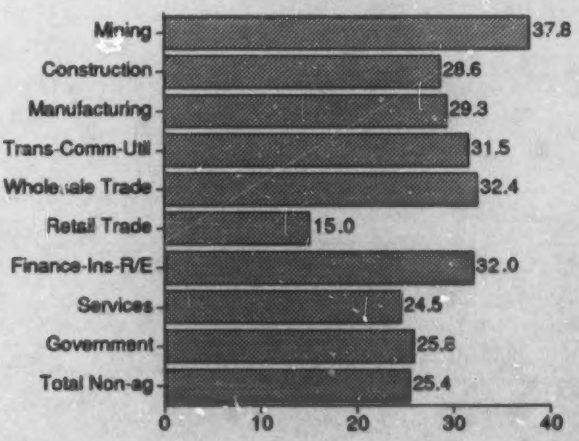
Construction wages rose 9.8 percent, or about 4 percent on a per worker basis. In construction, the number of hours worked is as important as wage rates in determining the growth of income. Increases in construction wage rates have generally been quite modest, although the high level of construction activity and generally favorable weather last year probably helped boost the number of hours worked.

Services wages increased 9.1 percent, but with employment up 6.1 percent, the per worker gain was less than 3 percent. However, 1987 services wages were boosted by a change in tax year accounting for personal service corporations

Personal Income
California and United States
(Percent change)



Average Wages by Industry, 1988
(Dollars in thousands)



(mainly professional corporations, established in prior years for tax purposes by doctors, lawyers and other professionals). In many cases, it is advantageous for the principals in these corporations to receive a sizeable portion of their income as bonuses at the end of the fiscal year. In 1987, federal tax laws required these corporations to move to a calendar year basis from a year ending January 31. As a result, bonuses were paid twice in 1987, in January and again in December.

The extra bonus boosted 1987 services income by as much as $1 billion. Without the second 1987 bonus, wage gains would have been about 10.7 percent in 1988, or about 4-1/2 percent on a per employee basis.

Bonuses were also probably a factor in the rather weak gain in finance, insurance and real estate industry wages last year. Wages rose 5.7 percent—a little less than 4 percent on a per worker basis. Real estate and insurance continued to show strong gains. Wage growth for the entire sector was held down by lower bonuses in finance, mainly the brokerage area. Manufacturing wages were up 6.8 percent, a little under 4 percent on a per worker basis. Transportation and utilities grew 5.7 percent, or about 4-1/2 percent per worker. Government wages were up 7.5 percent, equal to about 5 percent per employee.

Excluding the special factors, such as the minimum wage and bonus payments, wages for most workers increased about 4-1/2 percent last year. This was about in line with the California consumer price index, which was up 4.4 percent, but about half a percent more than the GNP consumption deflator, which measures a broader "market basket" of the goods and services actually consumed during the year.

Among non-wage sources of income, other labor income (fringe benefits such as employer paid health insurance and pension contributions) increased 7.6 percent, continuing a recent trend of below average growth. Over much of the post War period, fringe benefits have been a rising proportion of employee compensation. Recently, however, pension accounting changes and efforts to control health insurance costs have resulted in a declining trend of other labor income relative to wages.

Proprietors' income rose 8.7 percent, slightly more than the overall rise in personal income. Farm incomes were especially strong, posting an increase of almost 10 percent in 1988.

The fastest growing major component was property income, up 10.3 percent last year. Dividends rose 9.5 percent and interest income was up 10.6 percent, partly reflecting the rise in interest rates.

Transfer payments were the slowest growing income component, rising 6.8 percent in 1988. This category comprises various government payments, including social security, public assistance and unemployment compensation. The state's low unemployment rate is the major factor containing the growth of transfer payments.

A number of largely offsetting factors are expected to influence income growth in 1989, with the result that the annual change should closely approximate last year's 8.4 percent rise. Employment growth is

TABLE III-1
PERSONAL INCOME IN CALIFORNIA, 1987 AND 1988

	1987		*1988*	
	Billions	*Percent change*	*Billions*	*Percent change*
Total	$493.0	8.7	$534.2	8.4
Wages and Salaries	294.7	9.3	320.0	8.6
Other labor income	27.6	8.0	29.7	7.6
Proprietors' income	45.4	10.0	49.3	8.7
Farm	4.8	17.6	5.3	9.8
Nonfarm	40.5	9.2	44.0	8.6
Interest	66.0	6.8	73.0	10.6
Dividends	10.9	8.3	11.9	9.1
Rent	4.7	32.2	5.4	15.0
Transfer payments	65.4	6.3	69.9	6.8
Less: Contributions for social insurance	21.9	8.2	25.2	15.1
Plus: Residence adjustment	0.2	−9.9	0.2	1.1

Percent changes calculated from unrounded data.
Source: U.S. Department of Commerce, Bureau of Economic Analysis
California Department of Finance.

expected to slow somewhat, but in most industries, per worker wages will probably inch up toward 5 percent.

The near-10 percent gain in per worker wholesale and retail trade wages will not be repeated, although there will be some carryover effect from the minimum wage increase which was effective as of July 1988. The annual comparison for services wages will appear stronger, absent double bonus payments in 1988. Bonus income will probably increase in the financial sector, but commission incomes in real estate and insurance may grow less rapidly.

Interest income will continue to rise, given the increase in interest rates in the early part of the year. Proprietors' incomes, both farm and nonfarm, may be a bit less robust. Income gains should be stronger early in the year, tailing off somewhat in the second half.

County personal income data from the U.S. Department of Commerce for 1987 were not available in time for publication. The data are published in late April and will be included in the May issue of California Economic Indicators. *The county data will be available on request from the Department of Finance.*

Retail Trade

There are two measures of retail sales available for California. The U.S. Bureau of the Census surveys retailers each month, on a sample basis, and produces estimates of retail sales for the larger states and metropolitan areas, including California. The Census data are conceptually comparable to national retail sales data, reported each month, and cover the full range of sales by stores, as well as California based mail order firms. The Census data are, however, a sample and depend upon the co-operation of individual firms for the accuracy and completeness of the data.

A second source of retail sales data is the byproduct of the state's sales tax. These taxable sales data cover all transactions by retail stores, excluding those involving exempt items, namely groceries and prescription medicines. (The food store category in the accompanying table refers to taxable nonfood items sold by grocery stores.) The sales tax data also cover a variety of service and nonretail transactions, which are subject to the sales tax. The sales tax figures are free from sample error, but are available only quarterly after a lag of up to four months.

For 1988, the two retail series show somewhat differing results. Taxable retail sales increased almost 8 percent, to $162 billion last year. The Census series shows a smaller 6-1/2 percent increase to $192 billion. The Census data imply that sales of tax exempt food and medicines were virtually unchanged at $30 billion last year. Given 2-1/2 percent population growth and a 5 to 6 percent increase in food prices, this seems an unlikely result. The sales tax figures are also more in line with personal income growth, now estimated at 8.4 percent in 1988.

Among the categories of retail trade, the strongest gain was in the building materials group, up 14 percent reflecting the continued strength of homebuilding activity. Farm and garden stores also posted a double-digit increase, due in part to the improvement in farm incomes.

TABLE III-2
TRENDS IN REAL INCOME
(1982 $)

	Total		*Per capita*	
	Billions	*% change*	*Dollars*	*% change*
1975....	252.9		11,742	
1976....	267.9	5.9	12,214	4.0
1977....	280.6	4.7	12,553	2.8
1978....	300.2	7.0	13,144	4.7
1979....	313.0	4.3	13,460	2.4
1980....	318.8	1.9	13,398	−0.5
1981....	326.4	2.4	13,449	0.4
1982....	328.0	0.5	13,235	−1.6
1983....	338.6	3.2	13,378	1.1
1984....	360.0	6.3	13,965	4.4
1985....	378.3	5.1	14,351	2.8
1986....	396.7	4.9	14,691	2.4
1987....	412.5	4.0	14,919	1.6
1988....	428.1	4.0	15,154	1.6

Source: California Department of Finance.

Sales of consumer durables were generally strong. Home furnishing and appliance stores posted gains of almost 10 percent, and sales by new car dealers rose more than 8 percent. New car and noncommercial truck registrations increased 2 per cent to 1.46 million last year. The stronger percentage gain for new car dealers reflects the rise in average car and truck prices. Although the consumer price index suggests increases in the 3 percent range, quality improvements and a higher level of standard equipment have boosted transactions prices by 6 to 7 percent.

Sales by apparel stores increased almost 13 percent and specialty stores were up 11 percent. Spending at eating and drinking places rose 7 percent. General merchandise sales increased 6 percent last year, but this followed a sharp 11 percent gain in 1987.

The outlook for 1989 suggests some slowing in the rate of retail sales growth. With higher interest rates expected to dampen construction activity, building materials sales will be less robust. Furniture and appliance sales will also reflect the reduced level of home buying and building. After five very good years, car sales are expected to weaken, and indeed national sales for the first two months of the year are off nearly 10 percent from the 1988 pace.

A key element in the retail outlook, especially in California, is the effect that adjustable rate mortgages will have on consumer spending in a rising interest rate environment. In California, over half the mortgages originated in the 1980s include a rate adjustment feature.

Initial studies had indicated that the rate adjustments would have little effect on household spending. It was believed that interest sensitive assets, such as savings accounts, money market funds and bonds, would largely offset the effect of rising interest rates on mortgages and home equity loans. However, further analysis of household balance sheets suggests the effects will be greater than originally thought.

It turns out that the majority of interest sensitive household assets are in pension funds, over which households have no control, and which would have virtually no effect on income flows. Of those assets controlled directly by households, the vast majority were in older households whose consumption patterns are less sensitive to income than the average consumer.

In light of these findings, it appears that rising mortgage interest rates —and monthly payments—will indeed have an effect on consumer spending. Because most adjustable rate mortgages in California are based on the relatively stable savings and loan cost of funds index, the effects will be somewhat muted. However, a percentage point rise in the index will increase the payment on a, say, $150,000 mortgage by $100 per month, and such adjustments will be quite common in California by the second half of this year.

Together, wholesale and retail trade employ 2.9 million in California, second only to the services sector. In

TABLE III-3
RETAIL TRADE BY CATEGORY
(In billions)

	1988	*Percent Change*
Bureau of the Census		
Total Retail Trade [a]	$192.5	6.4
California Board of Equalization		
Total taxable sales	$251.1	8.3
Retail	162.5	8.2
General Merchandise stores	27.2	6.2
Apparel stores	8.7	12.8
Specialty stores	20.3	10.6
Eating and drinking group	20.9	7.1
Food and Liquor stores	15.0	3.2
Home furnishings, appliances	8.7	9.9
Building material group	12.7	13.7
Farm equipment	3.2	12.6
Automotive group	45.8	7.6
New car dealers	25.3	8.3
Gasoline service stations	20.5	6.7
Nonretail	88.6	8.5

[a] Preliminary

line with the strong sales increase, employment growth last year averaged 4 percent. The less robust sales outlook for 1989 suggests some slowing in the growth of trade employment, to around 3 percent this year. Recently, year-over-year gains in trade employment have been running 3-1/2 percent, suggesting that slower growth may already be underway.

Consumer Prices

California consumer prices moved up modestly in 1988. The California index, a weighted average of the Los Angeles and San Francisco area indexes, rose 4.5 percent last year. For the fifth year in a row, the California index increased somewhat more than the national average, which was up 4.1 percent in 1988.

Prices in Los Angeles were up 4.6 percent, following a 4.3 percent increase in 1987. Bay Area inflation picked up from 3.4 percent to 4.4 percent last year. The San Diego index, not presently included in the California average due to its infrequent publication, jumped 5 percent last year after rising 3.5 percent in 1987.

As usual, there were differing price trends between the two major California regions. In the San Francisco area, the effects of the drought were clearly evident on food prices, which advanced 6.2 percent. Los Angeles area food prices rose a modest 3.3 percent, apparently kept in check by a more competitive market in the Southland.

Housing costs were up about 4-1/2 percent in both areas. Apparel prices increased a modest 1.6 percent in Los Angeles, but fell more than 2 percent in the Bay Area. Transportation costs rose more in Los Angeles (4.5 percent) than in the Bay Area (2.8 percent). Larger increases in Southern California public transportation costs were responsible for the difference.

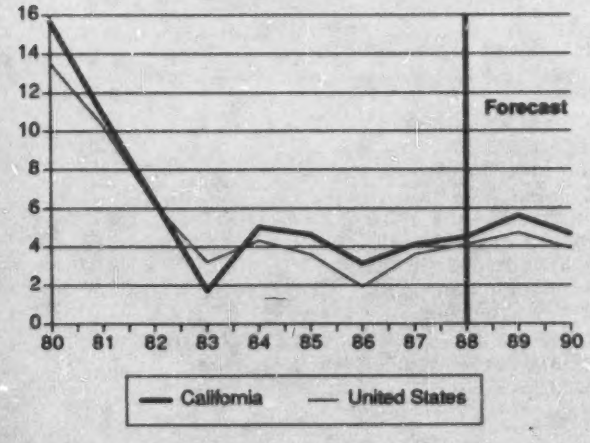
Inflation is one of the most difficult economic variables to measure. Recently, the consumer price index has come under some criticism for failing to capture fully the uptick in inflation. In fact, however, the CPI is quite consistent with other measures of inflation, including the broader GNP fixed weight and implicit price deflators for personal consumption expenditures.

One problem is that most people are keenly aware of price increases, but tend not to notice stable or declining prices. In addition, the CPI reflects average buying habits of a wide range of the population. Averages cannot capture the consumption habits of individual households. There is, in fact, as much reason to suspect that the CPI overstates as there is that it understates inflation.

The CPI is a true price index, in the sense that the "market basket" is essentially fixed (or changes very slowly) over time. But consumption patterns do change, often in response to changes in prices themselves. This substitution of lower cost goods or services for higher cost ones is not captured in the month-to-month measure. Yet, changes in prices, relative to one another, is the "signal" in the economy which prompts consumers to shift their buying behavior.

Nor is it necessarily true that substitution of a lower cost good for a higher cost item results in a lower

Trends in Inflation
The Consumer Price Index
(Annual percent change)



standard of living. Are Americans worse off because they consume more (lower cost) poultry and less (higher cost) beef today than was the case ten years ago? Is butter better than margarine? Are natural fabrics better than wash and wear synthetics? Is going to a motion picture theater better than renting a VCR tape?

Each of these choices involves a judgement, part of which will take into account the relative price of the choices. The price of going to the movies continues to rise, while the price of renting a tape (and buying the equipment to watch it on) continues to fall. How much has the cost of seeing a movie increased in the last year? Or has it decreased? It's a question that can't be answered without some qualification.

To the extent that the CPI overlooks substitution, it overstates inflation. But in other areas, the index may understate the case. One of the most difficult measurements involves housing costs. Last year, homeownership costs increased 5.3 percent in the Los Angeles region and 4.3 percent in the Bay Area, according to the CPI.

This would appear inconsistent with other data indicating that home prices in both areas jumped more than 20 percent last year. How can the CPI claim that homeownership costs rose only 4 to 5 percent? One quick, but only partially correct, answer is that not everyone bought a house last year. Even given near record sales of new and existing homes, only about 8 percent of California households actually bought a house in 1988. Thus, housing costs for 92 percent of households were not directly affected by last year's surge in home prices. A similar situation obtains for mortgage interest rates. Not every homeowner has a mortgage, and even given adjustable rate mortgages, most existing homeowners are shielded from month-to-month movements in interest rates.

For these reasons, the CPI does not directly take into account the price of houses or the mortgage interest rate when calculating the homeownership component. Instead, the house price component is captured through a " 'homeowners' equivalent rent" in which rents of houses, similar to those people buy, are priced each month.

There may, however, be very long lags between increased market values of houses and the rents actually charged for them. Individual houses may go on the rental market infrequently, and landlords may not be fully aware of current rental value of their property. Also, most property owners tend to dampen rent increases for current tenants, to avoid the costs of turnover and potential vacancy.

Moreover, rents may never fully reflect the true market value of a house. The purchase price of a house includes a number of considerations, including tax benefits and the expectation of capital gains, which are by definition denied renters, and thus excluded from the rent. To the extent a homebuyer is

TABLE III-4
CONSUMER PRICE INDEXES, 1988
(1982–84 = 100)

	U.S.	*Percent Change*	*San Francisco*	*Percent Change*	*Los Angeles*	*Percent Change*
All Items	118.3	4.1	120.5	4.4	122.1	4.6
Food	118.2	4.1	121.1	6.2	116.6	3.3
Food away from home	121.8	4.1	123.7	5.1	116.6	3.0
Residential rent	127.8	3.8	138.8	4.3	136.8	4.8
Homeowner's costs	131.1	5.0	146.3	4.2	140.7	5.3
Fuel and other utilities	104.4	1.4	116.7	6.7	115.9	2.9
Apparel and upkeep	115.4	4.3	102.4	−2.1	114.3	1.6
Transportation	108.7	3.1	105.3	2.8	113.8	4.5
Medical care	138.6	6.5	136.9	6.4	139.6	7.8
Entertainment	120.3	4.3	129.1	6.2	115.4	3.8
Other goods and services	137.0	6.6	140.1	7.0	139.9	9.4
Special indices:						
Goods	111.5	3.5	111.1	4.0	110.8	3.0
Services	125.7	4.6	129.0	4.7	132.2	5.8
Energy	89.3	0.8	96.1	8.1	91.7	2.7
All items excl. medical care	117.0	3.9	119.6	4.4	121.0	4.4
All items excl. shelter costs	115.9	3.9	116.5	4.5	118.1	4.2

Source: U.S. Bureau of Labor Statistics.

purchasing tax relief or a chance at future profits, part of the "cost" of the house is properly excluded from the housing component of the CPI.

It may be difficult to accept that 20 to 30 percent increases in house prices translate into only 4 to 5 percent increases in house rents. But it is equally difficult to determine the extent to which investment and tax shelter motives are driving the present single family housing market.

Given the conceptional problems, the CPI provides a reasonable measure of price change. If anything, most analysts agree that the CPI overstates, by a percentage point or so, the "true" rate of consumer price inflation, owing to the substitution effects and difficulty in capturing the "value" of product change in the price index.

On an annual average basis, consumer price increases this year are likely to be a bit higher than in 1988. The national index is expected to show somewhat larger gains in food prices, following last year's drought. Much of the food price effect has already occurred, but further increases in beef and pork prices are expected in the spring and summer months. Housing costs and services—particularly medical care—are also forecast to push up the index this year.

The California indexes will also reflect these national trends, but the rise in homeowner costs and services may be a bit more pronounced, given the state's tight housing and labor markets. Overall, the California index is expected to increase 5.6 percent in 1989, almost a percentage point more than the nationwide figure. Nearly half this difference reflects the voter approved tobacco tax increase, which boosted local indexes during January and February.

TABLE III-5
CONSUMER PRICE INDEXES, 1989 AND 1990
(1982–84 = 100)

	Percent change					
	U.S.		*San Francisco*		*Los Angeles*	
	1989	*1990*	*1989*	*1990*	*1989*	*1990*
All items	4.7	3.9	5.6	4.5	5.5	4.6
Food	6.8	2.8	6.6	2.6	6.8	2.7
Food away from home	5.2	3.8	5.8	4.1	4.1	3.6
Residential rent	4.9	4.5	6.9	5.5	5.7	5.4
Homeowner's costs	6.5	6.3	6.6	5.5	6.3	6.3
Fuel and other utilities	1.0	0.5	4.9	3.8	1.7	1.9
Apparel and upkeep	3.3	3.6	3.8	4.3	3.5	4.3
Transportation	2.8	3.1	2.3	3.3	3.9	3.7
Medical care	7.1	6.5	6.8	6.5	7.6	7.5
Entertainment	4.3	4.3	6.4	6.4	4.7	3.9

Source: California Department of Finance forecast as of November 20, 1988.

IV. GOODS PRODUCING INDUSTRIES

Each of California's goods producing sectors posted solid gains in 1988. Mining employment reversed its 1987 decline and manufacturing growth improved a full percentage point. Construction was again the strongest of three sectors, although growth of just under 6 percent was down slightly from the robust 1987 advance.

Mining

About three-quarters of California's mining employment is associated with the extraction of oil and natural gas. California is the nation's fourth largest petroleum producer, accounting for about 13 percent of domestic output. Last year, employment gained 2.5 percent, to 42,100, following a decline of 3.4 percent in 1987. The increase occurred despite a decline in world oil prices from over $16 per barrel in January to $13 in December. California heavy crude prices dropped from $10.50 to just over $8 during the course of the year.

The increased employment may reflect a rise in the number of producing wells, to 45,800 from 44,000 in 1987. New drilling activity declined, however, from 2,640 wells in 1987 to 2,490 last year. The number of operating gas wells fell from 1,321 to 1,262.

The early months of 1989 saw an increase in world oil prices as OPEC succeeded in reducing production, although the cartel's output remains somewhat above its target quota of 18 million bbls per day. It is expected that in 1989, oil prices will average considerably more than last year. Growing world demand and restraint of OPEC production will help strengthen prices for California producers and help stabilize the state's oil industry in the year ahead.

California has led all other states in the production of non-fuel minerals since 1982. The production of gold has shown a dramatic increase in recent years, from $60 million in 1985 to $270 million in 1987. New mining technology has lowered production costs to the point that gold mining is now profitable even at prices below $400 an ounce.

Almost 90 percent of California's $2.5 billion non-fuel mineral production is construction and other industrial related materials. Production of these minerals is closely tied to the fortunes of the construction industry, and in the longer term, population growth. Much of the employment associated with this activity is classified under stone, clay and glass manufacturing.

TABLE IV-1
MINING EMPLOYMENT
(In thousands)

	1986	*1987*	*1988*
Total	42.6	41.1	42.1
Metal mining	1.9	2.1	2.3
Fuel extraction	34.0	32.2	33.1
Nonmetallic mining	6.7	6.7	6.8
		December	
	1986	*1987*	*1988*
Total	40.3	43.2	41.4
Metal mining	1.9	2.2	2.3
Fuel extraction	31.6	34.2	32.3
Nonmetallic mining	6.8	6.8	6.8

Source: California Employment Development Department.
California Department of Finance.

The mining sector should see a fairly stable pattern of employment in 1989. Higher oil prices should provide some growth in the petroleum industry. However, the prospect of a slowing in construction activity may adversely affect nonfuel mineral mining.

Construction

Nearly $39 billion of new construction was authorized by building permits in California in 1988, an increase of 15 percent for the year. An additional $4.67 billion in contracts for heavy construction projects were awarded last year, according to data compiled by F.W. Dodge/McGraw Hill and reported by the Construction Industry Research Board.

Employment growth slowed to a 5.6 percent advance from the more than 8 percent rise recorded in 1987. Much of the strength in 1987 reflected a surge in permit activity at the end of 1986, ahead of a new school fee which was effective January 1, 1987.

Housing. Homebuilding activity remained very strong, despite continued weakness in multi-family construction. Permits were issued to build 252,500 new housing units last year, slightly above 1987's 248,700 unit volume. Permit volume exceeded the 200,000 unit mark for the fifth consecutive year, the longest period of sustained housing strength on record.

The experience in California is in sharp contrast to the national situation, which has seen a rather lackluster trend of homebuilding activity over the past several years. Since 1984, the State has consistently accounted for between 15 and 18 percent of all new housing built in the United States.

TABLE IV-2
PERMITS ISSUED FOR NEW HOUSING UNITS
CALIFORNIA METROPOLITAN AREAS
1988

Area (County)	*Single Family Units*		*Multi-family Units*		*Total Housing Units*	
	Number	*% Change 1987-88*	*Number*	*% Change 1987-88*	*Number*	*% Change 1987-88*
Riverside-San Bernardino (*)	43,029	50.8	9,122	−14.5	52,151	33.1
Los Angeles (Los Angeles)	17,611	7.3	32,164	−14.8	49,775	−8.1
San Diego (San Diego)	14,878	−3.4	13,656	−9.6	28,534	−6.5
Anaheim (Orange)	11,288	21.1	11,864	−22.6	23,152	−6.1
Sacramento (**)	14,166	28.8	4,835	−38.4	19,001	6.7
Oakland (Alameda, Contra Costa)	9,663	−2.9	4,856	−15.3	14,519	−13.3
San Jose (Santa Clara)	3,690	20.2	2,800	−36.8	6,490	−13.5
Vallejo (Napa, Solano)	5,282	60.2	847	93.4	6,129	64.1
San Francisco (***)	2,531	11.4	3,152	−29.4	5,683	−15.6
Oxnard (Ventura)	3,675	11.7	1,479	60.1	5,154	22.3
Modesto (Stanislaus)	4,376	51.2	618	−40.8	4,994	26.8
Santa Rosa (Sonoma)	3,858	42.9	816	−32.1	4,674	19.8
Fresno (Fresno)	3,248	5.7	883	−56.9	4,131	−19.3
Stockton (San Joaquin)	3,294	62.2	789	−16.8	4,083	37.1
Bakersfield (Kern)	2,864	−19.1	294	−79.4	3,158	−36.4
Visalia (Tulare)	1,298	−5.3	223	−67.1	1,521	−25.7
Salinas (Monterey)	1,084	−2.7	418	−31.3	1,502	−12.8
Redding (Shasta)	1,138	13.6	261	−15.0	1,399	6.9
Chico (Butte)	1,200	14.0	173	−70.9	1,373	−16.7
Merced (Merced)	955	17.6	386	58.2	1,341	27.0
Santa Barbara (Santa Barbara)	1,071	−13.2	261	−62.8	1,332	−31.2
Santa Cruz (Santa Cruz)	835	1.5	263	−43.4	1,098	−14.8
Yuba City (Sutter, Yuba)	348	−31.5	191	−28.2	539	−30.4
Remainder of State	9,137	6.4	1,650	−23.2	10,787	0.5
California Total	160,519	20.4	92,001	−20.3	252,520	1.5

* Riverside, San Bernardino ** Eldorado, Placer, Sacramento, Yolo *** Marin, San Francisco, San Mateo
Source: U.S. Department of Commerce, Bureau of the Census

The national housing market is being influenced by demographic forces—the aging of the baby boom generation and the declining numbers of housing market entrants. Although the demographic profile of California is not that different from the nation, strong population growth has kept demand in the State at a very high level.

In addition, California probably "underbuilt" housing during the late 1970s, as evidenced by the state's 10 to 11 percent share of the nation's production during those years. As a result, the 1980s began with a substantial backlog of housing demand. The high level of building activity over the last five years may have reduced the backlog somewhat; however, the recent spurt in home prices suggests the state's housing markets remain tight.

The drop in multiple family homebuilding reflects both demographic trends and the 1986 Federal tax law changes which reduced the attractiveness of rental housing as a tax-sheltered investment. Last year's 92,000 unit volume was the lowest since 1983, and there is little reason to expect an upturn in the near future. Vacancy rates remain high in the more active housing markets, and conditions are tight only in older, more densely developed areas.

Single family housing demand, on the other hand, is benefitting from these same demographic trends and from the tax law revisions as well. For many households, homeownership is the only tax shelter remaining following tax reform, and even given lower marginal tax rates, a house is an attractive investment. The fastest growing population group is now 25 to 34 year olds, who will ordinarily prefer a single family house to an apartment or condominium.

Review of the geographical distribution of new residential building permits in 1988 reveals a new leader in California housing production—the Riverside-San Bernardino area. Los Angeles County had traditionally been the state's largest homebuilding market by virtue of its sheer size even though it has been growing below the statewide average for many years.

In percentage terms, the Riverside-San Bernardino area has been the fastest growing metropolitan area in California for several years. Its share of building permits has been more than double its percentage of the state's housing stock.

The San Francisco Bay Area continues to be the slowest growing major region in the State. Its 14.7 percent share of new residential building permits in 1988 is only two-thirds of the area's 22 percent share of the Statewide housing stock. Only the north Bay counties of Napa, Solano and Sonoma are growing at rates above the State average.

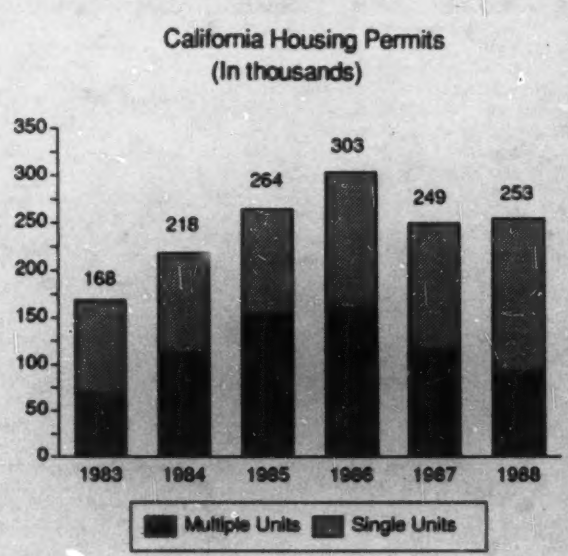
In 1988, the housing industry benefitted from generally low interest rates, and in particular the stability in the longer end of the credit markets. Lenders continued to favor adjustable rate mortgages, and for much of the year, initial or "teaser" rates were in the 7 percent range for adjustable loans.

However, the late 1988-early 1989 rise in mortgage rates will have an effect on homebuilding by the spring of this year. With the general rise in interest rates, teaser rates are moving into the 9 percent range. Moreover, following a change in underwriting standards by the major

TABLE IV-3
CONSTRUCTION ACTIVITY IN THE TOP 10 COUNTIES, 1988
(In millions)

	Residential		*Nonresidential*	
	Value	*Percent of State*	*Value*	*Percent of State*
Los Angeles	$4,936	19.4	$4,437	33.2
San Diego	3,392	13.3	1,174	8.8
Orange	2,476	9.7	1,480	11.1
Riverside	3,096	12.2	510	3.8
San Bernardino	1,627	6.4	750	5.6
Sacramento	1,123	4.4	552	4.1
Santa Clara	751	3.0	704	5.3
Alameda	703	2.8	486	3.6
Contra Costa	778	3.1	210	1.6
Ventura	658	2.6	263	2.0

Source: U.S. Department of Commerce, Bureau of the Census.



secondary mortgage market institutions, borrowers can no longer be qualified on the basis of the artificially low initial interest rate. Fixed rate mortgages, which were available for under 10 percent for a time last year, rose above the 11 percent level in March, 1989.

All of this suggests a declining trend of homebuilding activity at least through the summer months of 1989. For the year, housing permits are expected in the 210,000 unit range, some 16 percent less than the 1988 volume.

Nonresidential Construction. The value of nonresidential building permits increased 9.1 percent to $13.4 billion in 1988. Among the major categories of construction, office buildings posted the largest gain, up 23 percent to $2.7 billion last year. Industrial construction fell 3 percent to $1.7 billion in 1988.

The rise in office construction occurred despite continued high vacancy rates in most areas of the State. While vacancies in California are not out of line with the national average, the supply of office space is still large by historical standards.

Toward the end of 1988, there was evidence of a tapering off of nonresidential construction activity, and this is expected to carry into 1989. There are supply imbalances developing in a number of segments, including office buildings, retail facilities and hotels. Higher interest rates will further impede nonresidential construction activity. Permit values are expected to fall about 10 percent in 1989, to about $12.1 billion.

Highway and utility construction were mainly responsible for last year's 17.5 percent increase in

TABLE IV-4
NONRESIDENTIAL CONSTRUCTION ACTIVITY
BY TYPE OF PROJECT
(In millions)

	1986	*1987*	*1988*
Commercial	$5,742	$5,566	$6,199
Percent change	−7.9	−3.1	11.4
Industrial	2,134	1,767	1,713
Percent change	9.0	−17.2	−3.1
Other nonresidential	1,887	1,396	1,496
Percent change	4.8	−26.0	7.1
Additions and alterations	3,401	3,531	3,968
Percent change	2.3	3.8	12.4
Total nonresidential	$13,165	$12,260	$13,376
Percent change	−1.1	−6.9	9.1

Source: U.S. Department of Commerce, Bureau of the Census
Security Pacific National Bank, 1986

TABLE IV-5
NONRESIDENTIAL BUILDING PERMIT VALUE
CALIFORNIA METROPOLITAN AREAS
1988

Area (County)	*Value ($Mil)*	*% Change 1987–88*
Los Angeles (Los Angeles)	4,437.0	14.8
Anaheim (Orange)	1,479.7	10.6
Riverside-San Bernardino (*)	1,259.8	4.9
San Diego (San Diego)	1,174.3	4.3
San Francisco (**)	873.8	22.1
San Jose (Santa Clara)	704.2	−7.3
Sacramento (***)	703.1	28.1
Oakland (Alameda, Contra Costa)	696.3	−17.8
Oxnard (Ventura)	262.8	39.0
Fresno (Fresno)	258.1	100.5
Bakersfield (Kern)	219.4	7.7
Modesto (Stanislaus)	129.4	−9.8
Vallejo (Napa, Solano)	119.2	17.3
Stockton (San Joaquin)	117.6	4.6
Santa Rosa (Sonoma)	107.7	−31.1
Santa Barbara (Santa Barbara)	89.2	−7.3
Salinas (Monterey)	75.4	−3.6
Chico (Butte)	58.7	32.3
Santa Cruz (Santa Cruz)	54.5	2.2
Merced (Merced)	46.7	20.7
Visalia (Tulare)	40.5	−41.5
Yuba City (Sutter, Yuba)	37.4	115.2
Redding (Shasta)	33.6	50.0
Remainder of State	397.3	−2.0
California Total	13,375.7	9.1

* Riverside, San Bernardino
** Marin, San Francisco, San Mateo
*** El Dorado, Placer, Sacramento, Yolo
Source: U.S. Department of Commerce, Bureau of the Census.

heavy construction contracting. The total for the year was $4.67 billion. Highway and street construction increased 13 percent to $1.3 billion, while sanitary and electric utility construction rose nearly 30 percent, to a combined total of more than $800 million. Other heavy construction jumped 36 percent to $1.3 billion, an amount which included a $500 million contract for offshore drilling platforms.

Although less sensitive to interest rates and general economic conditions than building permits, heavy construction is nonetheless expected to decline somewhat in 1989. Street and highway contracting will weaken, given budget constraints.

Overall, construction activity will be on a downward trend for much of 1989. Activity in the early part of the year has been brisk, based on permits issued and contracts awarded in 1988. By spring, however, the pace of activity is expected to slow. The forecast 2 percent rise in construction employment on an annual average basis masks a period of declining employment expected later in the year.

Manufacturing

Manufacturing activity strengthened during 1988. Employment growth of 2.8 percent was a full percentage point more than in the previous year, and above the national increase of 2.5 percent.

High technology employment picked up to some extent, but the sector's 1.1 percent increase lagged behind overall factory performance for the third year in a row. Again in 1988, it was a variety of more traditional industries which provided the spark in manufacturing.

The petro-chemical group was among the faster growing sectors last year. This group includes chemicals, with employment up 6.3 percent, rubber and plastics, which rose 3.8 percent, and petroleum refining, up 4.7 percent. With high reported capacity utilization in this sector, the vigorous employment gains may be a sign of capacity expansion.

Construction related manufacturing was also strong. Employment in the stone, clay and glass industry registered a 5.8 percent increase, while lumber was up 3.2 percent.

Vigorous growth was evident in the state's large food processing industry, where the number of jobs increased 4.7 percent. Printing and publishing registered a 6 percent rise. Such heavy industries as motor vehicles and primary metals also posted well above average gains last year.

Growth in many of these industries may slow as 1989 unfolds, especially in the construction related segments. However, the level of activity as 1989 began was sufficient in many cases to virtually assure solid growth on an annual average basis, even if the trend across the year is somewhat weaker than was the case in 1988. In addition, improved prospects for clothing sales should benefit the state's apparel industry, where employment was essentially flat last year.

High Technology Manufacturing. The state's aerospace and electronics industries are being affected by diverse forces, and the performance of this sector has been uneven in recent years. Last year was no exception.

TABLE IV-6
THE RELATIVE POSITION OF CALIFORNIA MANUFACTURING

	Percent of manufacturing jobs in the United States	*Percent of all nonagricultural wage and salary jobs in California*
1980.....	10.0	20.5
1981.....	10.1	20.4
1982.....	10.4	20.0
1983.....	10.6	19.6
1984.....	10.7	19.5
1985.....	10.8	18.9
1986.....	10.9	18.4
1987.....	11.1	18.0
1988	11.1	17.9

Source: California Department of Finance.

The cuts in defense procurement spending have already begun to affect aerospace, but there are some offsetting factors which are sustaining activity in the aircraft and missiles industries. It is now clear that for this cycle, defense contracting peaked in fiscal 1985, when California firms received over $29 billion in new contracts. The figure for the year ended September 30, 1988 was $23.5 billion, 19 percent less than in 1985, before adjusting for inflation. In real terms, the reduction has been in excess of 25 percent.

In terms of employment, the cutbacks have been most visible in the newly defined aerospace instruments industry, which suffered a 4 percent drop in 1988. This industry includes a wide variety of navigation, guidance and detection instruments used in aircraft, missiles and ships. While figures for this new segment are not available for prior years, 1987's 3 percent drop in the old definition communications equipment industry, from which the new industry was created, was probably centered in the aerospace segment. Recent monthly figures provide little reason to expect a turnaround in this sector in the near future.

The other aerospace industries have been less affected by the defense cuts. Aircraft manufacturing employment actually registered a 1.3 percent gain last year. Strong commercial orders are offsetting the drop in government expenditures.

Missiles and space vehicles have been holding steady over the last two years, reflecting continued growth in NASA outlays. California accounts for the majority of space hardware contracts in the U.S.

With the defense budget still under considerable pressure, it will be difficult for the aerospace industry to grow in the year ahead. However, the continued strength in the commercial market, coupled with rising space outlays, should at least prevent a noticeable downturn in aerospace employment in 1989.

The electronics industry, as now defined, is mainly a commercial, capital goods industry, although a portion of the components, instruments and computers produced in California find their way into defense applications as well as consumer markets. Last year, most electronics industries posted solid employment gains, including 6.3 percent in measuring and controlling instruments, 3.7 percent in electronic components and 3.3 percent in computers. Only the relatively small communications equipment industry (using the new 1987 SIC definition) showed weakness last year.

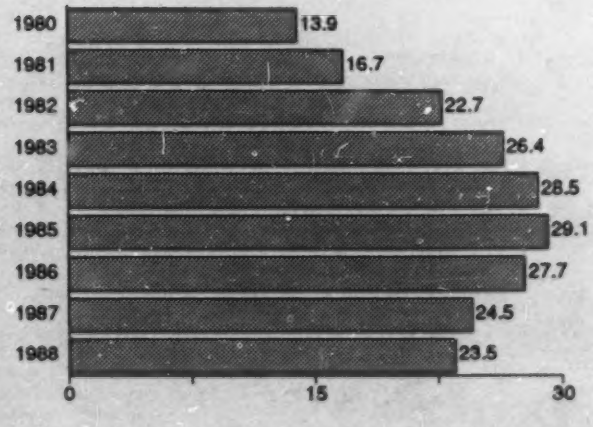
It is widely expected that business equipment spending will slow in 1989, although there is as yet little confirming evidence of the expected slowdown. Because computers and high technology instruments have been such an important element in the recent growth of equipment spending, it would follow that the industry will be adversely affected by the trend of equipment outlays.

However, the GNP figures may have overstated the strength of computer purchases last year, owing to the sharp decline in the cost of computing power. By the same token, any slowing of outlays would probably have a smaller impact on industry output than the GNP data might imply.

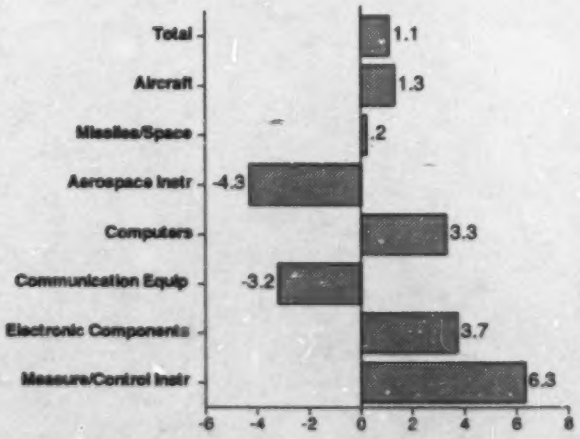
Again, the level of employment at the beginning of 1989 suggests

Defense Prime Contracts to California
U.S. Fiscal Years 1980-1988

(Dollars in billions)



California High Technology Employment, 1988
(Percent change)



some growth on an annual average basis, even if a slowdown in orders develops later in the year.

In most cases, manufacturing employment is expected to slow over the course of this year. However, with January employment already 2.3 percent above the 1988 average, it seems reasonable to expect that on a year average basis, manufacturing growth will closely match last year's 2.8 percent gain in employment.

TABLE IV-7
CALIFORNIA HIGH TECHNOLOGY EMPLOYMENT
Fourth Quarter 1987–88
(In thousands)

	1987: IV	*1988: IV*	*% change*
Total Aerospace	381.9	379.0	−0.8
Aircraft	163.4	168.8	3.3
Missiles/space	81.0	82.2	1.5
Aerospace instr	137.5	128.0	−6.9
Total Electronic	362.5	380.4	4.9
Computers	102.6	112.9	10.0
Communication equip	37.5	35.3	−5.9
Electronic comp	154.0	159.4	3.5
Measure/cntl instr	68.4	72.8	6.4
Total High Technology	744.4	759.4	2.0

Source: California Employment Development Department.
California Department of Finance.

TABLE IV-8
MANUFACTURING EMPLOYMENT
(In thousands)

	1987	*1988*	*Percent Change*		*1987*	*1988*	*Percent Change*
Total	2,107.6	2,165.7	2.8				
Nondurable goods	680.4	704.9	3.6	Durable goods	1,427.2	1,460.9	2.4
Food products	171.4	179.5	4.7	Lumber and wood	66.2	68.3	3.2
Textile products	16.3	16.7	2.1	Furniture-fixtures	63.0	62.3	−1.2
Apparel	126.4	125.5	−0.7	Stone-clay-glass	53.7	56.8	5.8
Paper products	41.1	41.4	0.6	Primary metals	42.0	43.9	4.5
Printing-publishing	152.4	161.3	5.9	Fabricated metals	134.3	136.0	1.3
Chemicals	67.8	72.1	6.3	Nonelectrical mach	212.3	220.1	3.7
Petroleum	27.3	28.6	4.7	Electrical equip	281.7	289.8	2.9
Rubber-plastics	70.7	73.4	3.8	Transportation equip	302.6	307.1	1.5
Leather products	6.9	6.5	−6.4	Instruments	235.7	239.2	1.5
				Miscellaneous	35.8	37.4	4.2

Source: California Employment Development Department.
California Department of Finance.

V. SERVICE PRODUCING INDUSTRIES

Service producing industries account for nearly 77 percent of all nonagricultural jobs in the State. The industries include transportation and the utilities; wholesale and retail trade; finance, insurance and real estate; services; and government. This chapter discusses trends in each of these industry groups, except trade which is highlighted in Chapter III.

Finance, Insurance and Real Estate

Developments in the financial and related industries have remained in the spotlight. A thrift industry bailout plan was proposed by the new Administration in Washington; California voters passed a sweeping insurance reform measure; and, shades of the 1970s, escalating home prices were a topic of conversation and concern throughout the State.

Employment growth in the finance, insurance and real estate industry slowed last year to 1.2 percent, following a near-5 percent increase in 1987. The slowdown was accounted for entirely by finance, which suffered a 0.9 percent drop in total employment. Problems in the thrift industry, continued streamlining by banks and cutbacks at investment firms were all factors in the sector's performance.

Finance

Commercial Banking. California's commercial banks returned to profitability in 1988, reflecting improved fundamentals in the market, continuing cost control and, most important, the absence of extraordinary loan loss provisions against foreign loans. These provisions at a handful of large banks resulted in an aggregate loss for the industry in 1987. Improvements in the California agricultural and real estate markets, coupled with the large provisions against foreign debt, have all served to place the industry on a much firmer footing.

Total loans at California banks declined in 1987 for only the second time in thirty years, dropping $3-1/2 billion or 2 percent. The decline, centered in the commercial and industrial and all other categories of lending, generally reflected write-offs, swaps and sales of foreign debt. Loans to individuals (consumer credit) dropped almost $2 billion, as households shifted borrowing to second mortgage credit, the interest on which remains tax deductible in most cases. Agricultural lending also declined in 1987,

TABLE V-I
Employment Growth in
Finance-Insurance-Real Estate
(In thousands)

	1988	*Percent change*
Total	810.2	1.2
Finance	378.3	−0.9
Insurance carriers, agents and brokers	220.4	0.9
Real Estate	189.3	5.4
Combination offices, holding and other investment companies	22.2	5.8

Source: California Department of Finance.

for the fourth year in a row, reflecting cutbacks in new lending as well as continuing write-downs of existing assets.

Last year marked a return to more normal lending patterns for the state's banks. Total loans increased 6.4 percent to $176 billion. Real estate loans were the fastest growing category, rising more than 13 percent to almost $79 billion, and accounted for 44 percent of all loans outstanding. The surge in real estate lending is associated with the strong housing market, continued growth in commercial construction, and the shift in household preferences toward mortgage-secured consumer credit. Commercial loans and traditional consumer credit were essentially flat, while agricultural and other lending grew modestly.

Foreign ownership of California banks has attracted considerable attention in recent years. It has been widely noted that six of the state's ten largest banks are foreign owned. However, when viewed from a broader perspective, foreign ownership appears considerably less significant. For one thing, each of the state's "big four" banks —which, taken as a group, account for 63 percent of all bank deposits according to *Barron's*,—is domestically owned. Foreign owned banks —numbering 18 out of more than 440—together account for only 14 percent of total deposits. Eleven out-of-state banks have 6 percent of the market.

The remaining one-sixth of the market is shared by more than 400 "independent" banks, 250 of which have been started in the 1980s. Deregulation, declining interest rates, cost cutting and loan problems which preoccupied many of the larger banks, and California's vigorous economy have all combined to provide a fertile environment for new banking enterprises.

Savings and Loans. The new Administration in Washington has quickly faced up to the huge and festering thrift industry problem. Most observers agree that the Administration's proposal will ultimately provide the framework for a federal bailout, although the details will no doubt be modified in the Congressional debate.

For the most part, the debate centers around who should pay and how much. The exact cost of the bailout cannot be determined with any certainty. The level of interest rates, the ultimate recovery value of the failed institutions' "assets", and the speed with which legislation is enacted and the insolvent institutions closed will all affect the final outcome.

Far more important are safeguards to ensure that the problems do not recur. As long as deposit insurance is considered necessary and desirable, the government has an obligation to supervise the ways in which these insured deposits are invested. It was the breakdown of that supervisory function—rather than deregulation per se—which is at the root of the current problems. In this context, decisions regarding future supervisory structure will be far more crucial in the long run than the question of who pays for the excesses of the past.

TABLE V-2
PERCENT DISTRIBUTION OF EMPLOYMENT
BY INDUSTRY
CALIFORNIA AND U.S., 1988

Industry	*California*	*U.S.*	*Calif.–U.S.*	*Industry*	*California*	*U.S.*	*Calif.–U.S.*
Total nonagricultural employment	100.00	100.00	—	Finance-Insurance-real estate	6.73	6.30	0.43
Mining	0.35	0.69	−0.34	Services	25.46	24.01	1.45
Construction	5.03	4.99	0.04	Hotels and motels	1.50	1.50	0.00
Manufacturing	17.79	18.43	−0.64	Personal services	1.07	1.14	−0.07
Nondurables	5.79	7.57	−1.78	Business services	6.68	5.17	1.51
Durables	12.00	10.86	1.14	Auto, other repair	1.39	1.10	0.29
Transportation-utilities	4.86	5.27	−0.41	Motion pictures	0.74	0.22	0.52
Trade	23.76	23.92	−0.15	Recreation	0.96	0.86	0.09
Wholesale	5.96	5.81	0.15	Health	6.00	6.82	−0.82
Retail	17.80	18.09	−0.29	Miscellaneous	7.12	7.19	−0.07
				Government	16.02	16.40	−0.38
				Federal	2.93	2.80	0.13
				State and local	13.09	13.60	−0.51

Source: California Department of Finance.

It remains to be seen what the lasting effects of the restructuring will be on the remaining elements of the thrift industry. Thrifts will be moving toward the same capital requirements as banks over the next few years, and a number of the larger, stronger institutions are already seeking to exit the industry.

Moreover, developments in the marketplace have weakened the case for a separate, housing oriented thrift industry. The secondary mortgage market and its specialized institutions are now the principle conduit for housing funds. In addition, because of the industry's problems, even strong, well run thrifts—of which there are many in California—often must pay more for deposits than commercial banks. The entire industry has experienced record deposit outflows in recent months, part of which may reflect increased public concern. In these circumstances, the distinction between thrifts and banks is likely to blur considerably over the next few years.

Insurance

The world changed for the California property and casualty insurance industry on November 8, 1988, when voters passed Proposition 103, one of four insurance related measures on the ballot. Elements of the law are, at this writing, subject of litigation before the State Supreme Court, and it is impossible to speculate as to what the ultimate effects of the initiative might be.

Frustration over rapidly rising automobile insurance premiums contributed to the flurry of insurance initiatives last year. Proposition 103, among other features, calls for cuts in premiums, regulatory approval for future premium changes, and an elected insurance commissioner.

Whatever the outcome of the court action, there can be no fundamental or lasting premium reductions unless there is also a reduction in the cost of settling claims. California's loss ratio (losses paid to premiums collected) is in line with the national experience. Industry profits from California operations are far from sufficient to absorb the rate cuts required in the new law. Containing auto insurance costs ultimately depends upon controlling losses paid, and the new law is essentially silent on that point.

Real Estate

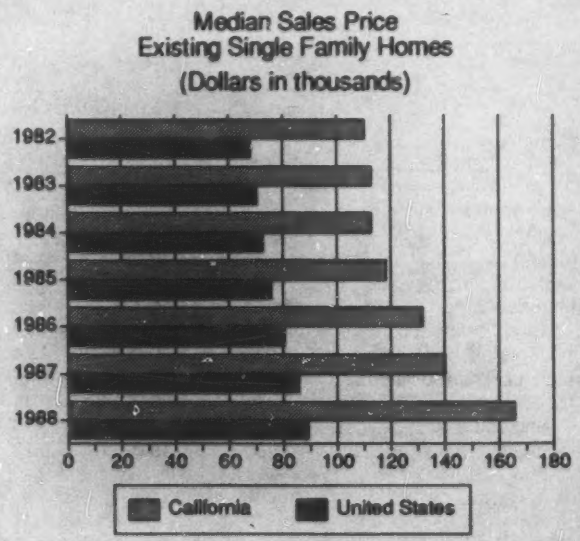
For California's residential real estate industry, 1988 was the best year since 1979. The California Association of Realtors reported that existing home sales increased almost 10 percent to 563,000 units last year. Median home prices jumped 18 percent to a statewide average of $165,600. Last year's was the largest increase in home prices since 1979, and some areas of the State registered price increases in the mid-20 to low-30 percent range.

The main problem the residential segment faced was a scant supply of houses on the market—compared, at least, to the level of demand. The median time on the market (from listing to close) in late 1988 was 40 to 43 days. The tight supply situation explains the sharp

TABLE V-3
MEDIAN EXISTING HOME SALES PRICE

Region	*December 1988*	*% Change 1987–88*
California	$172,405	18.7
Santa Barbara	246,249	67.4
Orange County	237,114	32.0
Ventura	234,821	37.3
San Francisco	229,772	31.3
Monterey	199,258	20.0
Los Angeles	189,545	23.6
San Diego	156,666	16.9
Northern Wine Country	137,182	9.7
Riverside/San Bernardino	113,864	15.7
Palm Springs/Lower Desert	102,500	—10.0
Sacramento	98,082	10.1
Central Valley	88,593	7.5
High Desert	86,666	n.a.
Northern California	74,166	12.9

Source: California Association of Realtors.



escalation of prices, and suggests very strong demand for single family houses.

Mortgage market conditions were quite favorable through most of 1988. Fixed mortgage rates actually declined during the summer and fall, reflecting the bond market's apparently positive view of longer run inflation prospects. Most adjustable mortgage rates rose, especially in the second half of the year, as the Federal Reserve pushed up short-term interest rates. Lenders, however, continued to offer "teaser" rates of less than 8 percent through most of the year. Moreover, the Federal Home Loan Bank of San Francisco's cost of funds index, which is the basis for many adjustable mortgages in California, did not begin to move up until very late in the year.

Secondary mortgage market institutions stiffened their underwriting standards for adjustable mortgage borrowers, requiring income qualification based on the calculated rather than "teaser" rate. The new requirements may affect sales volume this year.

Financial considerations suggest some slowing of real estate sales volume in 1989, coupled with a less feverish pace of price appreciation. Higher interest rates for both fixed and adjustable mortgages will dampen sales, although the initial response to rising interest rates is often a temporary surge in volume as buyers seek to avoid a further escalation in borrowing costs.

Supply was not a problem for the commercial segment of the industry. Office vacancy rates inched down, but remained quite high by historic standards in most California markets. However, Coldwell Banker Commercial's year end survey shows several favorable developments in major California markets:

- The Los Angeles combined downtown and suburban market absorbed 7.7 million feet of space last year, 6.1 million in the suburban areas.
- San Jose's combined downtown and suburban markets showed the largest improvement of any U.S. market surveyed, with vacancy down from 25 percent to less than 17 percent during the year.
- Sacramento's downtown market remained among the tightest in the country, with only 5.7 percent vacancy. The Capital City also registered one of the largest declines in downtown vacancy last year.

Apart from Sacramento, however, vacancy rates in most markets remained firmly in double digits, well above the 8 percent or so considered a well balanced situation. Nonetheless, rents are beginning to

Office Vacancy Rates
December 1988
(Percent)

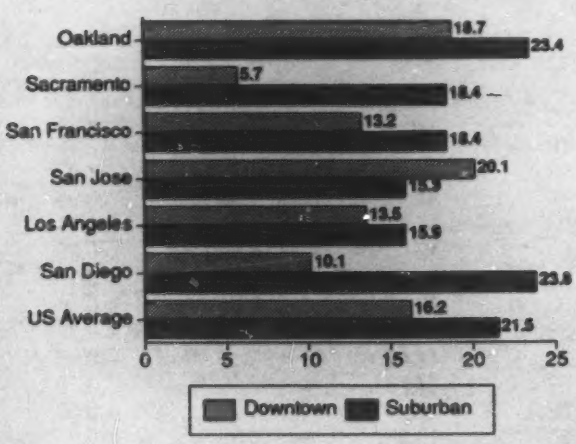


TABLE V-4
VACANCY RATES FOR OFFICE BUILDINGS
(as of December)

	1985	*1986*	*1987*	*1988*
United States average	20.1	21.5	20.7	19.7
Downtown	16.5	16.4	16.3	16.2
Suburban	22.0	23.8	22.8	21.5
Los Angeles	16.9	17.3	16.8	15.4
Downtown	18.2	15.0	13.2	13.5
Suburban	16.4	17.3	17.7	15.9
Orange County	19.3	23.3	21.3	22.5
San Diego	22.9	23.6	23.0	21.2
Downtown	23.4	17.0	12.8	10.1
Suburban	22.5	27.3	27.7	23.8
San Francisco	16.6	19.4	16.3	15.3
Downtown	13.4	18.1	13.8	13.2
Suburban	22.0	21.4	19.7	18.4
Oakland-East Bay	24.9	28.3	25.0	22.4
Downtown	24.7	19.1	16.6	18.7
Suburban	23.9	31.4	27.6	23.4
San Jose	24.5	26.6	24.9	16.8
Downtown	22.2	18.9	26.1	20.1
Suburban	25.0	28.2	24.6	15.9
Sacramento	26.1	21.3	19.6	15.4
Downtown	16.6	11.3	12.6	5.7
Suburban	29.3	24.8	22.0	18.4

Source: Coldwell Banker.

firm, especially in such areas as San Francisco, which faces the possibility of a longer term shortage due to restrictions on future construction.

Transportation, Communications and Utilities

Trends are somewhat divergent within this "infrastructure" sector. Transportation, with the exception of railroads, registered solid employment growth of 3.7 percent last year. Trucking jumped 5.7 percent, while air and other means of transport grew 3 percent. The growth of transportation essentially mirrors the overall growth in the state's economy.

The communications and utilities sector, on the other hand, is showing a stagnant to declining trend of employment, while the volume of services provided increases. Deregulation in the communications industry, in particular, has led to significant cost cutting and productivity gains. Communications employment last year fell almost 4 percent.

Although the structure of the energy utilities has been less altered than in communications, the industry is also under pressure to improve its productivity. Employment growth last year was a scant 0.4 percent. Competition for industrial customers has intensified in recent years, with alternative suppliers, including industrial co-generation, providing the incentive to increase utility productivity and decrease costs.

Overall, the transportation, communications and utilities group should continue to experience slow growth in 1989. The increase in transportation employment may be slightly less than last year, but this should be offset by a slower rate of decline in the communications industry.

Services

Services is the largest and most diverse industry group, employing more than 3.1 million in California. Last year, services was also the fastest growing industry, adding almost 200,000 jobs, a growth rate of 6.1 percent.

Services includes workers in the hotel and lodging industry; personal services; business services; automobile and other repairs; motion picture production and distribution; amusements and recreation; and health services. A new business professions group has been created from parts of the business and other service industries. Other services now includes private education and social services, legal services, membership organizations and museums, and landscape and veterinary services.

The fastest growing services industry last year was business services.

TABLE V-5
CALIFORNIA SHARE OF U.S. SERVICE PRODUCING EMPLOYMENT
(Percent)

Industry	*1972*	*1982*	*1988*	*Change in Share 1972–88*	*Change in Share 1982–88*
Transportation-utilities	10.00	10.68	10.50	0.50	−0.18
Trade	10.09	11.12	11.32	1.23	0.20
Wholesale	9.96	11.03	11.69	1.73	0.66
Retail	10.13	11.16	11.21	1.08	0.05
Finance-insurance-real estate	10.47	12.03	12.17	1.70	0.14
Services	11.09	11.86	12.08	0.99	0.22
Hotels and motels	10.10	10.45	11.42	1.32	0.97
Personal services	10.04	11.03	10.67	0.63	−0.36
Business services	12.62	14.38	14.73	2.11	0.35
Auto, other repair	13.03	15.27	14.41	1.38	−0.86
Motion pictures	25.19	36.39	37.75	12.56	1.36
Amusement-recreation	12.29	12.52	12.49	0.20	−0.03
Health	10.40	10.33	10.02	−0.38	−0.31
Miscellaneous services	10.28	10.91	11.28	1.00	0.37
Government	11.20	10.96	11.13	−0.07	0.17
Federal	11.80	11.95	11.92	0.12	−0.03
State and local	11.05	10.75	10.96	−0.09	0.21
Total service producing	10.65	11.34	11.53	0.88	0.19
Total nonagricultural employment	9.79	10.95	11.39	1.60	0.44

Source: California Department of Finance.

Based on the new 1987 SIC definition, business services grew 8.5 percent in 1988, adding more than 50,000 jobs. As was the case over the previous two years, the temporary employment agency segment was responsible for much of the growth. Business services is considered a basic industry in California, because of the significantly higher than average proportion of total jobs in the industry. Computer software and systems are the principle segments which receive substantial income from out-of-state sources.

The newly defined business professions group, which includes accountants, engineers, R&D labs, management consultants and public relations advisors, grew 7.2 percent last year. Employment for the year averaged just over 350,000.

Personal services increased 4.7 percent in 1988, considerably faster than in recent years. The larger segments of the industry include laundry and dry cleaning, barbers and hairdressers and portrait services. The fastest growing segment in 1988 was personal tax preparation services.

Growth in the automobile and other repair industry also picked up substantially in 1988. Employment increased 6.7 percent following a gain of less than 2 percent the previous year. Auto repair services (excluding service stations, and new and used car dealers, classified under retail trade) account for two-thirds of all employment in this industry.

Employment in the motion picture production and distribution industry grew only 1.9 percent on average last year. The slow growth rate reflects the effects of the writers' strike, which lasted nearly half the year. The industry as now defined employed an average of 102,000, including nearly 15,000 in the newly added video tape rental segment. About 70,000 are employed in motion picture production, and the remainder in distribution excluding video rental. California is the dominant state in motion picture production, and the state's share of the nation's total industry employment has risen steadily over the last two decades.

Amusement and recreation services employment advanced 5.3 percent to an average 137,000. Under the new SIC definition, the industry now includes health spas and clubs, formerly classified under personal services. The industry also includes professional sports, theme and amusement parks, golf courses, ski lift operators, and theaters.

Health care is now the largest service industry, with part of business services having been moved into the business professions group. Health care employment grew 3.7 percent, to an average 726,000. The gain was slightly less than the 4.6 percent advance of 1987. Efforts to contain health costs will continue to result in average to below average growth in this industry.

The other services group posted a 6.3 percent advance last year, to an average of 657,000. Private education and social services each account for about 150,000 of this total. Legal services is the fastest growing segment, employing about 115,000.

Tourism. Over the last two years, the hotel and lodging industry has seen a marked acceleration in its growth. Last year's employment gain of 8.3 percent followed an 11

TABLE V-6
SERVICES EMPLOYMENT
(In thousands)

	1987	*1988*	*Percent change*
Total Services	2,926.7	3,105.6	6.1
Hotels and motels	168.1	182.1	8.3
Personal services	111.2	116.4	4.7
Business services	605.8	657.6	8.5
Auto, other repair	162.5	173.5	6.7
Motion pictures	100.9	102.9	1.9
Recreation	130.4	137.4	5.3
Health services	700.4	726.2	3.7
Business profess'ns	329.0	352.6	7.2
Other services	618.3	657.1	6.3

Source: California Employment Development Department.
California Department of Finance.

percent jump in 1987. Industry employment averaged 182,000 in 1988.

The entire convention, visitor and tourist industry is much larger than the hotel and lodging figures suggest. Portions of retail trade, especially restaurants, amusements and recreation, transportation and a variety of other industries are directly or indirectly tied to the visitor economy.

According to California Department of Commerce survey data for 1987, visitors to California communities totaled 112 million. Of these, about two-thirds were Californians visiting another part of the State. About 27 percent were from other states, and the remaining 6 percent from abroad.

The growth of the hotel industry over the last two years suggests that the number of travelers has also been increasing. The decline of the dollar's exchange value has helped the visitor industry in two ways. More overseas visitors are attracted by the relatively cheap dollar exchange rate, while Americans find their money goes further domestically than overseas.

It is the nearly 40 million visitors from abroad and other states which are the major contributors to the state's overall economy, as their spending represents "new" money from outside California. Of course, many coastal and mountain areas of the State benefit locally from visitors from other areas of California. Moreover, to the extent that more Californians vacation within their home state, the economy is better off than if these trips were taken out of state or overseas.

The Outlook for Services. The service sector will continue to experience above average growth, and indeed is expected to be the fastest growing industry again in 1989. Business services and business professions, amusements, hotels, motion pictures and other services are all projected to experience above average gains this year.

In general, the service industries tend to be less affected by slowdowns in economic growth than do the goods producing industries. However, the sharp increase in the importance of temporary employment agency jobs could result in a slightly more cyclical pattern for business services in the years ahead.

VI. FOREIGN TRADE

Trade data for 1988 were not available in time for publication in this year's Economic Report. *The Department of Finance will prepare a special report on California Foreign Trade, which will be available on request from the Economic Research Unit, 915 L Street, Sacramento, CA 95814 early this summer.*

Since publication of last year's Economic Report, *however, new data have become available on exports by state of origin. As the discussion below explains, the new data still contain some important flaws, but for the most part provide a better picture of the role of exports in California's economy.*

New data covering U.S. exports by state of origin were made available by the U.S. Department of Commerce last year. The initial report, for 1987, shows a total of $27.8 billion of exports originating in California, compared with $39.7 billion of exports which passed through California ports.

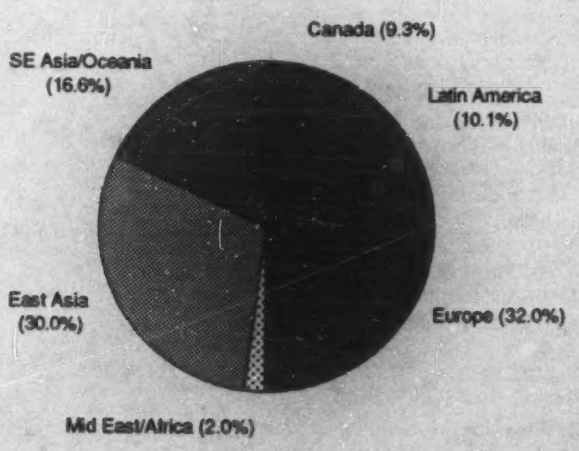
The port data had previously provided the only indication of foreign trade activity for the State. However, it is well known that the port data overstate the actual volume of California goods in international trade. The state's location dictates that large quantities of goods produced elsewhere pass through the major ports. Similarly, many imports, which initially land in California, are eventually bound for inland locations. Import figures by state of destination are not yet available.

The new state of origin data provide a better, but still not completely accurate, picture of California exports to the rest of the world. The State is no longer credited with exporting $480 million of tobacco products. The origin data show $1.6 million, which is still a bit suspicious (it is doubtful that any tobacco products originate in California), but far closer to the truth than are the port figures.

The new data's problems are best illustrated by the fact that "State not known" is the leading source of U.S. exports, accounting for $58 billion or 23 percent of all exports. The problem is particularly noticeable for unprocessed agricultural crops and processed foods, both of which are important California exports.

Over $5 billion of crops and $4.2 billion of processed foods were of unknown origin, accounting for 30 and 33 percent, respectively, of total exports in these categories. In addition, Louisiana, the major Mississippi River port, was the leading state in both food and crop exports. Louisiana's crop and food exports in 1987 totaled $7.8 billion, five and

California Exports by World Region
State of Origin, 1987



one-half times the value of the state's agricultural production.

Texas ranks second in crops and third in processed foods, probably an overstated level, even given the size of Texas' farm economy. Washington state's rankings, fifth and sixth in crops and foods, may also be somewhat overestimated.

A particular problem relates to food exports to Canada. The United States does not track these movements closely, waiving many of the paperwork requirements for north bound goods. While this policy facilitates the free flow of trade, Canadian officials, on whom the U.S. relies for food export statistics, are not particularly interested in the state of origin.

In 1987, California is credited with exporting $229 million of fresh foods to Canada, some 28 percent of the $814 million U.S. total. It is likely that both figures are understated. It was not until late 1987 that U.S. statisti-

TABLE VI–1
CALIFORNIA EXPORTS BY COMMODITY GROUP, 1987
State of Origin Data

	$ Million	*% of U.S. Commodity*	*% of Calif. Total*
Raw Materials:			
Crops *	1,308.0	7.8	4.7
Meat and animal	69.4	8.1	0.2
Forest products	20.0	11.6	0.1
Fish	8.7	20.2	0.0
Metallic minerals	78.1	11.3	0.3
Coal, Petroleum, Gas	0.0	0.0	0.0
Nonmetallic minerals	75.0	7.7	0.3
Manufactures:			
Food and products *	1,243.6	9.8	4.5
Textile mill	48.5	2.5	0.2
Apparel	99.3	6.4	0.4
Lumber, wood	210.5	5.3	0.8
Furniture	48.2	8.6	0.2
Paper	245.3	4.3	0.9
Printed matter	108.3	7.0	0.4
Chemicals	1,121.2	4.3	4.0
Petroleum products	949.2	20.7	3 4
Rubber, plastics	301.4	8.0	1.1
Leather products	45.2	6.2	0.2
Stone, clay, glass	115.2	5.5	0.4
Primary metals	363.2	6.0	1.3
Fabricated metals	463.3	7.3	1.7
Machinery, ex electrical.	6,963.4	16.2	25.0
Electrical equipment	6,583.9	24.8	23.7
Transportation equip	3,502.2	8.1	12.6
Instruments	1,942.3	18.2	7.0
Misc manufactures	332.3	10.5	1.2
Unclassified manufactures	358.5	2.7	1.3
Waste and scrap	687.9	22.7	2.5
Used merchandise	126.8	10.1	0.5
Unclassified commodities	409.0	13.5	1.5
Total	27,833.7	11.1	100.0

*Food exports are probably understated. See text for discussion.
Source: U.S. Department of Commerce.
California Department of Commerce.

cians even acknowledged that food exports to Canada were not being fully counted.

The California Department of Food and Agriculture estimates California agricultural exports at $3.3 billion for 1987. Origin data suggest $2.6 billion, including $1.2 billion of processed foods, only part of which represents actual farm value. Based on the CDFA figures, the new origin data may understate actual California farm exports by up to $1 billion.

Food exports, however, are probably not indicative of the overall accuracy of the data. Most grains which pass through ports in Louisiana and Texas may be of mixed origin, and very difficult to identify by state. By the same token, fresh food shipments to Canada are a unique situation.

For most manufactured goods, origin is more easily determined and reporting is likely to be far more accurate. The importance of California's high technology industries, especially electronics, is quite evident in the new trade data. In 1987,

TABLE VI–2
CALIFORNIA EXPORTS TO LEADING MARKETS, 1987
State of Origin Data

	$ Million	*% of U.S. Country Tot.*	*% of Calif. Total*
Japan	4,937.0	16.1	17.7
Canada *	2,597.9	4.5	9.3
United Kingdom	1,990.2	14.1	7.2
Mexico	1,952.2	13.4	7.0
West Germany	1,851.2	15.8	6.7
Singapore	1,368.3	33.8	4.9
South Korea	1,367.8	16.9	4.9
Taiwan	1,290.4	17.4	4.6
France	1,181.1	14.9	4.2
Malaysia	868.8	45.8	3.1
Netherlands	866.8	10.6	3.1
Australia	824.4	15.0	3.0
Hong Kong	749.3	18.8	2.7
Italy	657.4	11.9	2.4
Philippines	512.2	32.0	1.8
Thailand	459.5	29.8	1.7
Sweden	403.9	21.3	1.5
Switzerland	388.8	12.3	1.4
China	374.9	10.7	1.3
Spain	370.8	11.8	1.3
Belgium & Luxembourg	298.7	4.8	1.1
Saudi Arabia	215.8	6.4	0.8
Brazil	207.5	5.1	0.7
Ireland	199.0	11.0	0.7
India	175.9	12.0	0.6
New Zealand	162.3	19.8	0.6
Norway	152.2	18.1	0.5
Venezuela	129.8	3.6	0.5
Denmark	116.5	13.1	0.4
Austria	111.7	20.4	0.4
Israel	109.0	3.5	0.4
Finland	103.3	20.1	0.4
Total, $100 Mil Markets	26,994.6		97.0

* Exports to Canada are probably understated. See text for discussion.
Source: U.S. Department of Commerce.
California Department of Commerce.

the State exported $6.6 billion of electrical equipment, accounting for one-quarter of total U.S. exports in this category. Nonelectrical equipment exports—mainly computers in California—amounted to $7 billion, or 16 percent of the U.S. total. The State exported $1.9 billion of instruments, accounting for 18 percent of the U.S. figure.

California exports of transportation equipment totaled $3.5 billion in 1987, amounting to 8 percent of the U.S. total. For the most part, California exports represent aircraft and parts. Both the origin and port figures suffer from two problems which tend to understate California's exports of air, missile and space equipment.

First, military exports are largely excluded as a matter of national security. Second, California supplies parts and subassemblies for manufacturers in other states, which often end up as exports. These are counted as exports from the state of final assembly. It is difficult to gauge the full value of California aerospace goods in international trade, but the figure is probably substantially more than the $3.5 billion reported in the origin data or the $3.1 billion indicated in the port figures.

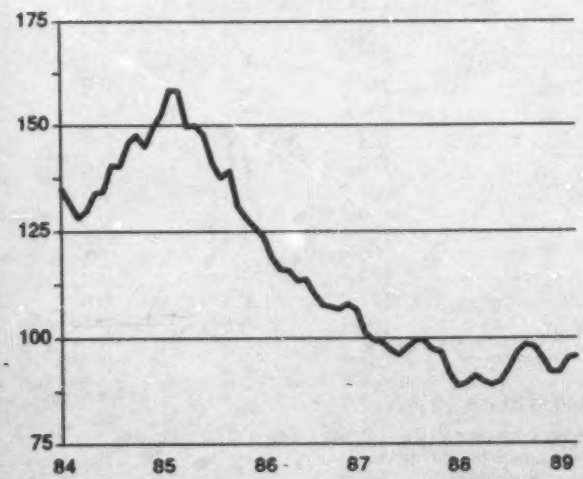
The breakdown of California exports by country show a somewhat different pattern than do the port data. California exports to Europe and Canada are substantially more than previously reported, while exports to Asia—although still very important—are less dominant in the origin figures. Japan, for example, accounts for 41 percent of exports through California ports, but only 18 percent of exports actually originating in the State. Canada, on the other hand, rises from 1.4 percent to 9.3 percent, Mexico from 3 percent to 7 percent, and the United Kingdom from 1.8 percent to 7.2 percent of California exports.

Viewing California's share of U.S. exports to various countries, the State accounts for very high shares—in the 30 to 45 percent range—of total U.S. exports to such countries as Singapore, the Philippines, Thailand and Malaysia. These countries are particularly important in the electronics trade, performing subassemblies of components manufactured in the U.S., often for re-import as finished or semi-finished goods.

California is also very important in U.S. trade with Europe, accounting for 14 to 15 percent of exports to most European countries, and around 20 percent of the total in the case of several northern European countries. Computers, electronic equipment and agricultural products are the major California exports to Europe.

While the new origin data represent a significant improvement over the port figures in tracking the state's role in international trade, they also underscore the problems in identifying local content within the context of an integrated national economy. As noted, food and aerospace exports from California appear to be understated. But it is likely that some California figures are artificially boosted by its role as a port state, just as Louisiana's crop numbers are no doubt inflated by the Mississippi River trade. On an overall basis, these distortions are probably close to offsetting one another, and the new figures thus provide a reasonable estimate of total exports from the State.

U.S. Trade-Weighted Exchange Rate



Recent Developments. U.S. exports increased more than 22 percent during 1988, according to preliminary figures. It is unclear whether California export growth exceeded the national experience. For example, U.S. agricultural exports jumped 34 percent last year, but preliminary estimates point to a somewhat smaller gain for the State. National farm exports are more sensitive to grain prices and volumes than is California's more specialty oriented trade.

California, on the other hand, may have outperformed the nation in exports of capital goods, a much higher volume category. In any event, if California matched the national rate of export growth last year, the 1988 total would be $34 billion on the state of origin basis, and nearly $50 billion on the port basis.

Compared to the dramatic slide from early 1985 to late 1987, the dollar's foreign exchange value was quite stable in 1988, and this pattern continued in the early months of this year. Given the lags between the dollar's behavior and trade flows, the recent dollar stability argues for a slowing of export growth in 1989.

Exports will continue to benefit from the long lasting effects of the dollar devaluation, including the opening of new, often foreign owned, plants in the U.S., and the establishment of new trade links and supply lines with other countries. However, these types of effects, coupled with the overall growth of world trade, are likely to produce export gains of about 10 to 12 percent this year, about half as much as in 1988. Assuming some slowing of U.S. consumer spending, further reductions in import growth should add to the narrowing of the trade deficit in 1989.

Debate continues over the longer run course of the dollar. On a purchasing power parity basis, the dollar is clearly undervalued against most "strong" currencies, and particularly the yen. However, inflation trends in Japan and Germany are more favorable than in the U.S., and, to the extent that markets discount the future, the undervaluation on a current purchasing power basis is easily justified.

At the same time, the dollar remains overvalued on a purchasing power basis against the currencies of several developing countries such as Taiwan, South Korea and Hong Kong, which are a rapidly growing source of imports to the U.S. In part, the valuation reflects the export oriented policies of the governments of these nations.

Those who believe that, regardless of purchasing power, a further sharp devaluation of the dollar will ultimately be required, point out that the U.S. will be forced to export more goods just to keep the current account deficit from getting worse. This is true because the current account deficit is balanced in the capital account, through the purchase by foreigners of U.S. debt and equities, and the direct purchase of companies and real estate. To the extent that the interest, dividends, profits and rents arising from this increased foreign ownership are repatriated, improvements in the trade balance are negated.

One element which could have a substantial and favorable impact on the U.S.—and California—trade situation would be a recovery in the Latin American economies. In this regard, efforts now underway to reduce Latin American debt burdens could prove very beneficial.

Only time will tell whether purchasing power or financial flows have the more powerful pull on the dollar's value. For now, the dollar seems to have found a stable trading range, based in part on relatively high U.S. interest rates and a favorable view regarding the longer range growth and inflation outlook in the U.S.

VII. RESOURCE INDUSTRIES

Agriculture

Recovery from the early 1980's agricultural recession continued during 1988. Receipts from farm and ranch marketings during the year were up 4 percent, to more than $16 billion, even though production of some crops was down. Generally stronger prices brought higher total receipts for products sold during the year.

California agriculture relies on irrigation except for range pasture and dryland grains, and the state's ranchers and growers are geared to providing water through irrigation systems and wells. Nonetheless, there is still a dependence on winter rains and melting snows to supply the water for irrigation. For two years, rainfall and snow during the winter has been low, and water in storage was at record low levels as the 1988-89 wet season got underway.

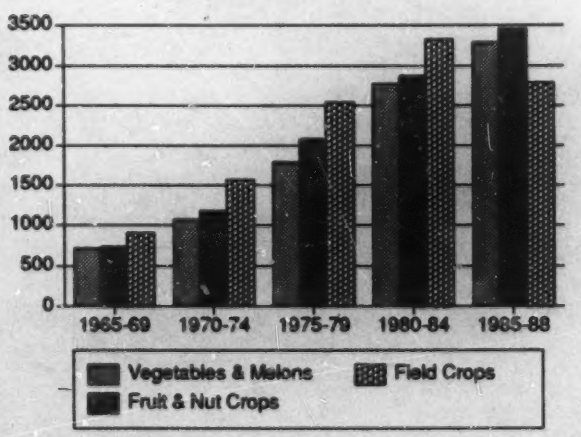
Late winter rains and snow improved the situation over the northern watershed, and this may be sufficient to allow delivery of near normal water supplies to most areas. It appears, therefore, that the state's farm sector has narrowly avoided the third dry year which would have seriously curtailed production volume.

California was better prepared for the effect of the 1988 national drought than parts of the Midwest, where corn production was reduced by 38 percent. Production of grains in California remained at nearly the same level, but prices increased by 25 to 50 percent. As a result, California grain producers benefitted from the effects of the drought.

For the farm sector as a whole, these gains are offset somewhat because higher grain prices translate into increased feed costs for California's livestock and dairy producers. However, given the state's broad agricultural base which includes over 250 crops and many livestock products, the ups and downs of different sectors are leveled out by the fact that no single crop or product can affect California's overall agricultural health.

Production in 1988. Fruits and nuts continue to be California's largest sector with total value estimated at $3.87 billion in 1988. Grapes constitute nearly one-third (31 percent) of this total, and nuts are almost one-quarter (23 percent) of the sector. Citrus and deciduous fruits each account for nearly one-fifth (19 percent) of all fruits and nuts. In comparison to 1987, production increases were registered by pista-

California's Principal Crops
Annual Average Values
(Dollars in thousands)



chios, pecans, olives, grapes, peaches, dates, kiwifruit, nectarines and oranges.

Sales of California fruits and nuts are affected by domestic consumption patterns, exports and competition from other states and nations. In some cases, all these factors have worked in the same direction, for example, in the growth of table grape sales.

Per capita grape consumption in the U.S. has increased three fold since 1970. Demand abroad has been aided by better transport and improved and expanded promotion. Imports, especially from Chile, have been mostly complementary during the off-season. With seedless varieties (Flame, Ruby and Thompson Seedless) being grown in Chile and in several California locations, a year-round supply of a uniform product is assured. The result is increased sales for all growers, as consumers make fresh grapes a weekly staple purchase, rather than a special seasonal item.

Premium wines continue to gain customers both at home and abroad. The new U.S.-Canada Free Trade Agreement holds hope for increased exports of California wines. Reduction of wine tariffs in Taiwan has also assisted exports, along with trade shows, wine tastings and conventional advertising in several Pacific Rim markets.

Vegetable production has also increased. California now provides half the nation's fresh vegetables and 55 percent of the major processing vegetables. Consumers are increasing their purchases of fresh vegetables, especially broccoli, cauliflower and cabbage. Per capita consumption of fresh broccoli, 0.7 pounds in 1972, now exceeds 3.5 pounds. Similarly, fresh cauliflower consumption has increased from 0.8 pounds per person in 1972 to 2.8 pounds in 1987.

Further increases in fresh vegetable consumption can be expected. The National Cancer Institute is beginning a program designed to double the consumption of fresh fruits and vegetables. The "five-times-a-day" program is derived from evidence that the consumption of fresh produce is associated with a reduced incidence of some forms of cancer.

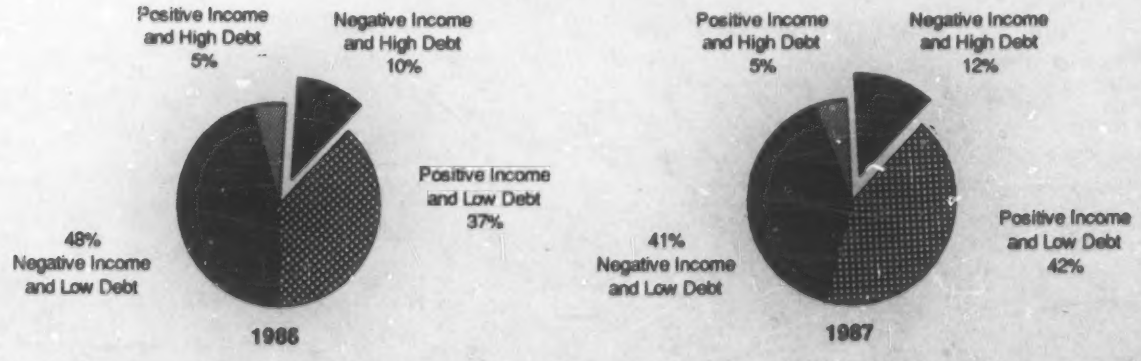
Imports of fresh and processed vegetables, especially asparagus, broccoli and cauliflower, are of great concern to California growers who see their share of the market being taken by Mexican produce. In May of 1988, hearings on this subject were held by the International Trade Commission in Monterey. The great disparity in labor and land costs between the two countries will continue to provide competitive opportunities for growing produce in Mexico and the Caribbean Basin.

A century ago field crops predominated California agriculture, and in the 1880s California was the leading wheat exporting state. In the 1980s, field crops have lost their ranking to fruits, nuts and vegetables. Cotton continues to be the state's leading export commodity. Sales abroad jumped 47 percent in 1987. Last year, export volumes continued to rise, but with lower average prices. Trade in hay and exports of wheat and rice have revived from 1986 lows. Further gains in exports of these crops are difficult to predict, since the existence of alternative sources and the future level of Federal government support programs are undetermined.

California's two leading agricultural products are from the livestock sec-

California Farms Financial Condition

Net Cash Income and Debt/Asset Ratio Position*


Positive Income and High Debt 5%
Negative Income and High Debt 10%
Positive Income and Low Debt 37%
48% Negative Income and Low Debt
1986
Positive Income and High Debt 5%
Negative Income and High Debt 12%
Positive Income and Low Debt 42%
41% Negative Income and Low Debt
1987

* Amount of debt relative to assets: above or below 0.40

tor: milk and cream, and cattle and calves. Both rising consumer demand and government purchase programs have kept California's large, efficient dairies increasing their output. Beef, a traditional favorite American food, has been maintaining its market with difficulty in the face of competition from less expensive poultry and pork.

Dietary concerns about cholesterol have also reduced consumption. Producers are now developing "lite" beef though breeding out the genetic tendency to develop fat between the muscle fibers. Another reaction to health concerns is the introduction of low cholesterol eggs through special diets for laying hens. The new eggs are now beginning to appear in California markets.

Fish farming (aquaculture) is gaining in California with increased sales of catfish and trout being seen in local markets and restaurants. Over 80 catfish producers are annually selling more than $7 million worth of fresh fish produced in controlled environments. Production of sturgeon, bass and tilapia is still considered experimental but will be added to local markets soon.

Exports. Exports of California's 1987 products were 18 percent higher than the prior year. This increase was double the 9 percent gain achieved nationally and shows the result of the substantial depreciation of the dollar against most currencies. In addition, promotional efforts of the state and national governments have been helpful in increasing exports.

Exports through California ports during 1988 have been exceeding the 1987 level by a significant margin. High value items such as wine, raisins and almonds are among the leaders in increasing sales. The sales of these more discretionary items had experienced a relatively greater decline during the early 1980s when the dollar was at a high value in foreign exchange markets.

Encouraging exports has become a special, matching fund program within the Department of Food and Agriculture. It has been funded at $5 million per year. Marketers of California agricultural products are invited to submit proposals to increase export sales. When a proposal is approved, up to one-half the cost can be reimbursed by the Department. More than 100 applications have been received each year and 340 marketing plans have received assistance in their overseas sales efforts through this program.

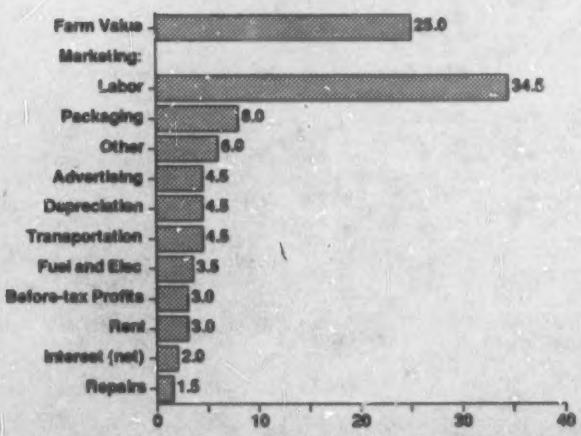
1989 Outlook. As usual, there are a number of conflicting elements in the 1989 farm outlook. Assuming the drought does not alter production plans too drastically, further gains are anticipated for California agriculture this year.

Favorable factors in the outlook include:

- Continued improvement in the grape outlook, including fresh shipments as well as raisin and wine utilization.
- Smaller beef cattle inventory with favorable prices likely to continue.
- Continued increases in fresh fruit and vegetable consumption.
- Continued gains in exports of California agricultural products.

Distribution of the Food Dollar:
Farm Value and Marketing Bill, 1988

(In cents)



Negative elements include:

- The beef trade dispute with the European Community, which if not resolved would rebound heavily against California, given the "counter-retaliatory" measures proposed by the EC.
- High livestock feed prices as a result of the 1988 Midwest drought.
- Costs and potential sales effects associated with Proposition 65, the toxic labeling initiative.
- Labor availability following the end of the Immigration Reform Act grace period last year.

Although the overall outlook is on balance favorable, rising costs for chemicals, feed, labor and interest are expected to squeeze farm proprietors' income in 1989. As a result, last year's 10 percent gain in farm profits is unlikely to be repeated.

Forestry

In 1988, California's lumber industry enjoyed its best year since the early 1970s. Lumber production was up 15 percent to the highest level in 15 years. Wholesale prices rose 5 percent and stumpage prices increased 3 percent. Employment was up more than 3 percent in 1988.

The gains reflect the continued strength of California's residential construction industry. Although total permit volume was little changed in 1988, the trend toward more and larger single family residences continued, requiring more lumber per housing unit.

Although some weakening of California homebuilding activity is expected this year, the effects on the lumber industry may not be felt until rather late in 1989. Actual construction activity lags permits by about six months, and there is often some inventory building at the wholesale and retail level before the demand for timber actually subsides. While the industry may not experience much growth in 1989, any downturn in activity is more likely to be delayed until 1990.

Longer Term Considerations. Even as the industry enjoys its best performance in over a decade, concerns are rising over the outlook for timber supply and long term sustainability. Lumber producers, trying to meet high demand, have faced a tighter supply of logs in recent years.

The industry claims the tight supply is due to excessive regulation of private lands, lawsuits by environmental groups and reductions in U.S. Forest Service harvest levels due to pressures from other users. The industry points to the controversy and lawsuits over salvaging the timber burned in the catastrophic 1987 fires as a case in point. Some environmental and labor groups charge that the industry is overcutting its land, the effects of which are beginning to emerge, and which will lead to a shortage of timber over the next few decades.

Annually, close to 4 billion board feet of timber are harvested from the state's 18.5 million acres of productive forestland. If current economic and demographic trends continue, conifer harvests will continue at current levels over the next few years, but decline near the turn of the century. This expectation reflects both the prospect of reduced housing demand in the 1990s, as well as competing claims on forest resources.

TABLE VII-1
PRICE TRENDS IN THE LUMBER INDUSTRY

	1982	*1983*	*1984*	*1985*	*1986*	*1987*	*1988**
Framing lumber composite index	169	221	199	194	206	229	228
Douglas fir: standard & better 2×4	167	222	202	175	215	227	233
California ponderosa pine, #3, 1×12	259	251	278	226	252	262	275
Douglas fir plywood ⅜", CD ext.	135	154	152	150	157	151	152
Stumpage:							
Douglas fir	$50.00	$63.50	$65.50	$62.19	$64.00	$83.00	$93.19
Ponderosa and Jeffrey pine	66.90	104.00	127.89	94.92	157.00	207.00	171.74
All species	54.50	76.90	80.70	65.46	88.00	125.00	129.00

*Estimate
Source: California Department of Forestry.

Based only on the timber resource inventory and productive growth and yield capacities, however, current harvest levels could be sustained for several decades.

Fire and Drought. Wildfires again took center stage in 1988. As before, during the fires top priority was given to protecting lives, homes and towns threatened by the fires. Wildland resources sustained considerable damage. This has led to reviews of land use development requirements at the urban rural fringe, and calls for more active fire planning and prevention work at the local level.

Emergency rehabilitation and recovery efforts begun last year are continuing, including aerial seeding of burned areas, stream channel clearing, road repair and other measures. A large part of the recovery effort includes salvaging most of the burned timber in the national forests. These efforts have met with resistance in some areas, due to concerns over entering fragile areas. The timber industry has cited such resistance as the cause for higher stumpage prices, the loss of much salvageable timber and the closing of one sawmill.

Forests, Water and Wildlife. California's forests and rangelands provide a number of valuable resources in addition to timber, including forage, recreation, wildlife habitat, water and open space. These resources are used and enjoyed by people throughout the State. Perhaps the most important of these is water.

More than 90 percent of the 71 million acre feet of annual water run-off originates on wildlands. Most of the water is transported from where it runs off to where it is used: north to south, east to west. About 80 percent of the net water use is in agriculture. Given the tremendous importance of water in California, as well as the two consecutive droughts, forestland management will have to respond more to water quantity and quality concerns in the future than it has in the past.

Though most water run-off is derived from the state's wildlands, the possibilities of incasing these supplies are limited primarily by institutional constraints. Currently, landowners have few incentives to manage for increased water flow because downstream users reap the benefits. Additionally, enhancement practices may result in unacceptable environmental effects.

Over 650 different wildlife species inhabit the state's forest and rangelands. Recently, concerns have been raised over the effects of timber harvesting in old growth forests, and the effects this activity might have on the wildlife species which inhabit these areas. Information about wildlife use of old growth forests is limited. Few species are solely confined to old growth, but many find optimum breeding or foraging habitat there. It is as yet unclear whether these species can maintain viable populations in other age classes of forests.

Outlook. The timber industry has come a long way from the recession of 1980-82, and has performed well over the past three years. Continued performance in the short term will depend in large measure on the California and national housing markets. Although some weakening is expected this year, homebuilding activity, especially in California, is expected to remain well above recession levels.

Over the longer term, the industry must contend with the competing

TABLE VII-2
CALIFORNIA LUMBER PRODUCTION, 1980–88

Year	*Million board feet*	*Percent change*
1980	3,768	-
1981	3,224	–14
1982	2,987	–7
1983	3,574	20
1984	3,891	9
1985	4,168	7
1986	4,865	17
1987	5,408	11
1988 (est.)	6,200	15

Source: Western Wood Products Association. California Department of Forestry estimate.

claims on forestlands, including water, recreation and wildlife management. Long-term sustainability and environmental risk will challenge private industry, local and state government. Environmental impacts, local economic effects and the need to compensate private citizens for providing public benefit are among the major issues facing the industry in the years ahead.

Mining

The value of California's non-fuel mineral production increased from $2.3 billion in 1986 to $2.5 billion in 1987, the latest year for which figures are available. California's non-fuel mineral production amounted to almost 10 percent of total U.S. output in 1987. California led the nation in the production of boron minerals, portland cement, diatomite, calcined gypsum, construction sand and gravel, rare-earth metal concentrates and tungsten ore and concentrates. The State was second in the production of gold, natural calcium chloride, magnesium compounds from sea water, sodium compounds and wollastonite.

The production of gold in California has increased dramatically in the past ten years, rising from under $1 million in 1979 to almost $270 million in 1987. This trend is likely to continue for the next several years, although at a slower rate. The price of gold has dropped from over $500 an ounce in December 1987 to under $400 in early 1989. It is likely that the declining price of gold, even in the face of increasing inflationary pressures, reflects the increase in worldwide exploration and production in recent years.

Demand for building materials such as construction aggregate, gypsum and cement is likely to remain strong because of the continued increase in California's population and the need to improve the state's transportation system. However, the outlook for some near-term weakening of construction activity could have a dampening effect on production later this year.

A noticeable trend in the 1980s has been an increase in foreign ownership of domestic production capacity. This is especially true for cement production capacity, but also in other industrial materials.

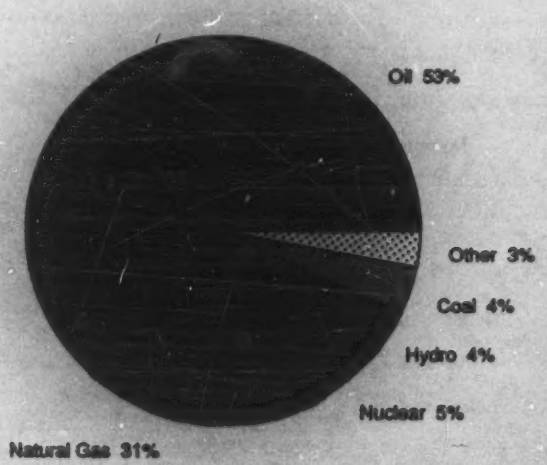
Energy

Oil and Natural Gas. Oil and gas together provide about 82 percent of all energy used in California. Oil alone provides about 53 percent of the total. After a short-term increase in 1987, world crude oil prices decreased in 1988, but were on a rising trend again in the early months of 1989. Prices, however, have remained substantially lower than they were in the early 1980s. California crude oil, which is of generally lower quality, has followed the price trend in world oil markets, albeit at a lower level.

California produces about 13 percent of the nation's domestic crude oil and ranks fourth in the nation among the oil producing states, behind Alaska, Texas and Louisiana. Kern County is the leading California producer, accounting for about 64 percent of the state's onshore and offshore production. Los Angeles County, with about 12 percent of the total, is in second place.

At the beginning of 1988, California's proved oil reserves—oil that can be recovered economically with existing technology and at current

California's Energy Resources, 1987



prices—were estimated at 5.2 billion barrels. Oil production in California decreased during 1988 for the third year in a row, largely reflecting lower prices. Last year's 388 million barrel production amounted to slightly more than 1 million barrels per day.

Almost half of California's oil comes from outside the State. While the proportion of oil from foreign sources has remained at 5 percent for the last three years, Alaska is providing a growing share of California's oil requirements—43 percent last year.

Californians are consuming close to 13 billion gallons of gasoline annually, up from 11-1/2 billion in 1979. Although total consumption has increased, per vehicle gasoline use continues to decline, reflecting continuing gains in the overall fuel efficiency of the car and truck fleet.

Natural gas accounts for about one-third of California's total energy use. More that 75 percent of the state's gas comes from out-of-state sources, mainly from the Southwest and Canada. Co-generation and enhanced oil recovery are the most rapidly growing uses of natural gas, having grown from 4 percent to 11 percent of total demand over the last two years.

The proportion of natural gas used to generate electricity rises in periods when dry weather curtails hydroelectric power sources. This has been the case over the last two years. In 1986, the last normal rainfall year, hydropower accounted for 34 percent of California's electric power supply, while 21 percent was generated by gas. In 1987, the percentages were essentially reversed, with hydro producing 21 percent and gas 33 percent of the state's electricity needs.

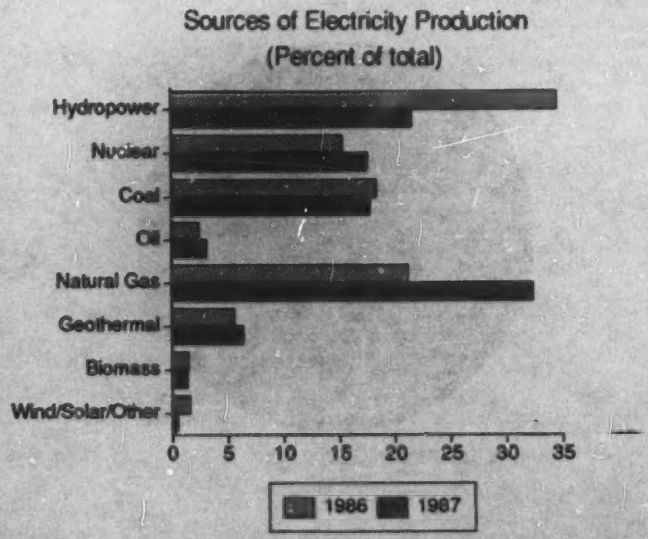
Electricity. California utilities generate two-thirds of the power they sell and purchase the rest from private power producers and out-of-state sources. Independent power producers account for about 8 percent of the supply.

Overall, out-of-state sources supply 35 percent of California's electricity, of which 14 percent represents supplies owned by California utilities and 21 percent purchased power. California is part of the largest interconnected electrical system in the United States. The Western Grid stretches from the Rockies to the Pacific and from Canada to northern Mexico.

Resource diversity and different load patterns among these neighboring regions offer the opportunity to achieve efficiencies in the generation and distribution of power.

California relied primarily on natural gas (32 percent) and hydropower (22 percent) to meet electricity demand in 1987. Coal and nuclear each contributed 18 percent to the mix, while oil, geothermal, biomass, wind, solar and other sources met the remaining 8 percent of demand. These percentages include out-of-state supplies. Although the state's windfarms and geothermal installations make up only a small portion of California's energy supply, they are the largest in the world.

Diversity allows California flexibility in fuel use for generating electricity. During recent low hydropower years, California has been able to use natural gas and other sources to generate electricity. In wetter years, hydropower can displace these more expensive alternatives.



The past year continued the trend of accelerated demand growth that began in the mid-1980s. Much of the increase can be attributed to an expanding population—up almost 2-1/2 percent in each of the last three years—and a vigorously growing economy. Rising per capita consumption can be traced to growth in uses such as air conditioning.

Statewide electricity demand is forecast to grow 2.1 percent per year through the end of the century. Currently there is a capacity surplus, although Southern California could require additional sources by the mid-1990s.

Protection of the Environment

Air Resources. California has continued to make progress towards air quality goals while the state's economy and population have continued to grow faster than the nation as a whole. In this decade, smog forming emissions have been reduced 30 percent and exposure to unhealthy air has been reduced by over 50 percent.

Even though California has made significant progress towards meeting federal air quality standards, 75 percent of the nation's ozone exposure occurs in California with peak ozone levels that are three times the federal standard for healthy air. Southern California exceeded the federal ozone standard 175 times in 1988. Ten of the fourteen air basins in California exceeded the ozone standards as of the federal Clean Air Act deadline of December 31, 1987.

The Clean Air Act expired at the end of 1987, and Congress has not reauthorized it. Until Congress does so, the Environmental Protection Agency must impose a moratorium on the construction of large sources of air pollution in areas that have not attained the federal air quality standards. In 1988, the EPA imposed this moratorium on three areas, Sacramento, Ventura and the greater Los Angeles area.

California has moved ahead of the nation by passing state legislation, the California Clean Air Act of 1988 (CCAA). The CCAA requires expeditious attainment of state and federal ambient air quality standards with attainment dates based on each area's air quality problems. The CCAA provides greater authority to develop programs to control emissions from industrial sources, motor vehicles, consumer products and emissions associated with growth. The CCAA requires stringent control, but also requires an assessment of the cost effectiveness of available and proposed control measures.

Although 1988 cars produce 80 percent less pollution than 1968 models, motor vehicles continue to be the largest single source of air pollution. Motor vehicle emissions account for over half of smog producing pollution. There are 20 million cars in California which travel 60 billion miles annually. This results in increased air pollution and traffic congestion. To address both of these problems, Governor Deukmejian in 1988 issued an Executive Order to encourage reductions in vehicle miles traveled. In addition, the CCAA requires development of programs to reduce vehicle miles and emissions from motor vehicles.

Water Resources. Consecutive dry winters in 1986-87 and 1987-88 caused a serious depletion of water stocks. Economic impacts on the

State as a whole, however, were negligible. What hardship did occur was more localized, particularly in urban communities in the San Francisco Bay region and the Sierra Nevada foothills. In many areas, the effect of consecutive dry years is compounded by large increases in population.

The 1988-89 season did not provide an unambiguous end to the drought. In many areas, especially in central and southern California, this has been the unprecedented third dry year. However, moisture in the northern part of the State appears to have been only slightly below normal. Late winter rains should allow most of the State to avoid the severe impacts and economic costs that would have been associated with a continued statewide drought.

Agricultural supplies to most of the Central Valley should be near normal. Much of the Bay Area, which depends on runoff from the central Sierra or local rainfall, faces another year of shortage. Supplies for southern California, largely from the Sacramento and Colorado river watersheds, appear adequate.

The drought has re-emphasized the importance of water related bond issues passed by the public over the past few years. Several programs are or will be producing on-ground results. Among these is the Safe Drinking Water Program which has obligated over $250 million since its inception in 1976.

The Clean Water Bond Law of 1984 authorized a $10 million loan program for construction of water conservation projects. The 1986 Water Conservation and Water Quality Bond Law authorized $75 million for construction of conservation and ground water recharge facilities. Loan requests far exceed the bond authorization suggesting the need and importance of these programs.

The public's recognition of this fact was demonstrated by the passage of the 1988 Water Conservation Bond Law totalling some $60 million for similar purposes.

Although the drought has focused attention on more immediate and localized aspects of California's water situation, the recent San Francisco Bay-Delta hearings, which were conducted throughout the State, are a reminder of broader water allocation problems that have long term implications for the people of California. It is obvious that not everyone's wishes can be met. There must be compromises.

As the State Water Resources Control Board continues this process, specific studies and work relative to the Delta itself continues. Levee failures, water quality issues, fisheries' needs and water transfer considerations raise difficult problems which do not translate into easy solutions.

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TABLE 1

POPULATION OF THE UNITED STATES AND CALIFORNIA, 1960–88 [a]

Year (July 1)	United States [1]	California [2]	California as percent of United States	Percent change	
				United States	California
1960	179,975,000	15,863,000	8.8	1.6	3.8
1961	182,973,000	16,412,000	9.0	1.7	3.5
1962	185,738,000	16,951,000	9.1	1.5	3.3
1963	188,438,000	17,530,000	9.3	1.5	3.4
1964	191,085,000	18,026,000	9.4	1.4	2.8
1965	193,460,000	18,464,000	9.5	1.2	2.4
1966	195,501,000	18,831,000	9.6	1.1	2.0
1967	197,374,000	19,174,700	9.7	1.0	1.8
1968	199,312,000	19,432,000	9.7	1.0	1.3
1969	201,306,000	19,744,700	9.8	1.0	1.6
1970	203,984,000	20,039,000	9.8	1.3	1.5
1971	206,827,000	20,346,000	9.8	1.4	1.5
1972	209,284,000	20,585,000	9.8	1.2	1.2
1973	211,357,000	20,869,000	9.9	1.0	1.4
1974	213,342,000	21,174,000	9.9	0.0	1.5
1975	215,465,000	21,538,000	10.0	1.0	1.7
1976	217,563,000	21,936,000	10.1	1.0	1.8
1977	219,760,000	22,352,000	10.2	1.0	1.9
1978	222,095,000	22,836,000	10.3	1.1	2.2
1979	224,567,000	23,257,000	10.4	1.1	1.8
1980	227,255,000	23,780,000	10.5	1.2	2.2
1981	229,637,000	24,267,000	10.6	1.0	2.0
1982	231,996,000	24,786,000	10.7	1.0	2.1
1983	234,284,000	25,309,000	10.8	1.0	2.1
1984	236,477,000	25,780,000	10.9	0.9	1.9
1985	238,736,000	26,358,000	11.0	1.0	2.2
1986	241,107,000	27,001,000	11.2	1.0	2.4
1987	243,419,000	27,653,000	11.4	1.0	2.4
1988	245,807,000	28,314,000	11.5	1.0	2.4

[a] Includes members of the Armed Forces stationed in the area.
[1] Source: 1960–1988 U.S. Bureau of the Census, Current Population Reports P-25.
[2] Source: 1960–69 California Department of Finance, Demographic Research Unit.
1970–88 U.S. Bureau of Census Current Population Reports P-25.

TABLE 2

COMPONENTS OF CHANGE IN CALIFORNIA'S CIVILIAN POPULATION, 1960–88

Year (July 1)	Civilian population [1]	Net change	Net migration [2]	Natural increase [3]	Gains from military
1960	15,550,000	586,000	351,000	231,000	+4,000
1961	16,108,000	558,000	308,000	244,000	+6,000
1962	16,634,000	526,000	306,000	240,000	−20,000
1963	17,197,000	563,000	320,000	234,000	+9,000
1964	17,706,000	509,000	308,000	230,000	−29,000
1965	18,143,000	437,000	232,000	217,000	−12,000
1966	18,459,000	316,000	179,000	185,000	−48,000
1967	18,796,000	337,000	198,000	184,000	−45,000
1968	19,046,000	250,000	102,000	176,000	−28,000
1969	19,354,000	308,000	118,000	185,000	+5,000
1970	19,663,000	309,000	96,000	193,000	+20,000
1971	20,002,000	339,000	128,000	184,000	+27,000
1972	20,264,000	262,000	98,000	144,000	+20,000
1973	20,558,000	294,000	162,000	130,000	+2,000
1974	20,874,000	316,000	182,000	131,000	+3,000
1975	21,249,000	375,000	228,000	145,000	+2,000
1976	21,653,000	404,000	248,000	153,000	+3,000
1977	22,075,000	422,000	248,000	174,000	—
1978	22,566,000	491,000	314,000	177,000	—
1979	22,991,000	425,000	234,000	191,000	—
1980	23,509,000	518,000	308,000	210,000	—
1981	23,993,000	484,000	259,000	225,000	—
1982	24,498,000	505,000	266,000	239,000	—
1983	25,022,000	524,000	277,000	247,000	—
1984	25,482,000	460,000	214,000	246,000	—
1985	26,055,000	573,000	318,000	255,000	—
1986	26,695,000	640,000	359,000	281,000	—
1987	27,343,000	648,000	362,000	286,000	—
1988	28,012,000	669,000	380,000	289,000	—

[1] Source: U.S. Bureau of Census.

[2] Source: California Department of Finance, Demographic Research Unit Report 88-E-2.

TABLE 3
TOTAL POPULATION OF CALIFORNIA COUNTIES, JULY 1, 1988

County	Total Population 7-1-88	County	Total Population 7-1-88
Alameda	1,242,400	Placer	156,400
Alpine	1,200	Plumas	20,000
Amador	28,000	Riverside	977,400
Butte	174,600	Sacramento	975,300
Calaveras	31,200	San Benito	34,500
Colusa	15,300	San Bernardino	1,284,900
Contra Costa	764,300	San Diego	2,370,100
Del Norte	20,000	San Francisco	733,300
El Dorado	120,900	San Joaquin	456,600
Fresno	611,700	San Luis Obispo	207,300
Glenn	23,300	San Mateo	628,500
Humboldt	115,600	Santa Barbara	343,100
Imperial	112,700	Santa Clara	1,430,400
Inyo	18,000	Santa Cruz	226,400
Kern	518,300	Shasta	139,600
Kings	94,100	Sierra	3,600
Lake	51,400	Siskiyou	43,300
Lassen	27,100	Solano	313,100
Los Angeles	8,604,300	Sonoma	365,800
Madera	82,500	Stanislaus	340,200
Marin	229,900	Sutter	61,700
Mariposa	14,500	Tehama	46,700
Mendocino	76,100	Trinity	14,000
Merced	171,200	Tulare	297,500
Modoc	9,200	Tuolumne	46,300
Mono	9,500	Ventura	646,700
Monterey	348,100	Yolo	135,000
Napa	106,300	Yuba	56,800
Nevada	77,200		
Orange	2,261,100	Sum of Counties	28,314,500

Note: Revisions for prior years available on request.
Source: California Department of Finance, Demographic Research Unit.

TABLE 4
CIVILIAN LABOR FORCE, CALIFORNIA, 1967–88
(In thousands)

Year and month	Labor force [a]	Employed [b]	Unemployed [c]	Percent unemployed
1967	7,679	7,242	437	5.7
1968	7,792	7,369	423	5.4
1969	7,919	7,508	411	5.2
1970	8,167	7,575	592	7.3
1971	8,407	7,669	739	8.8
1972	8,653	7,996	656	7.6
1973	8,910	8,286	624	7.0
1974	9,317	8,638	679	7.3
1975	9,539	8,598	941	9.9
1976	9,896	8,990	906	9.2
1977	10,367	9,513	853	8.2
1978	10,911	10,137	775	7.1
1979	11,268	10,566	702	6.2
1980	11,584	10,794	790	6.8
1981	11,812	10,938	875	7.4
1982	12,178	10,967	1,210	9.9
1983	12,281	11,095	1,187	9.7
1984	12,610	11,631	980	7.8
1985	12,981	12,048	934	7.2
1986	13,332	12,442	890	6.7
1987	13,729	12,938	791	5.8
1988	14,036	13,292	743	5.3
Adjusted for seasonal variation				
1987 January	13,386	12,533	853	6.4
February	13,573	12,726	847	6.2
March	13,619	12,785	834	6.1
April	13,706	12,892	814	5.9
May	13,857	13,031	826	6.0
June	13,723	12,965	758	5.5
July	13,786	13,024	762	5.5
August	13,760	13,028	732	5.3
September	13,814	13,029	785	5.7
October	13,772	12,970	802	5.8
November	13,853	13,126	727	5.2
December	13,884	13,146	738	5.3
1988 January	13,913	13,188	725	5.2
February	13,947	13,199	748	5.4
March	13,913	13,196	717	5.2
April	14,002	13,278	724	5.2
May	14,057	13,193	864	6.1
June	14,006	13,231	775	5.5
July	14,028	13,269	759	5.4
August	14,052	13,283	769	5.5
September	14,053	13,330	723	5.1
October	14,063	13,363	700	5.0
November	14,186	13,451	735	5.2
December	14,198	13,524	674	4.7

[a] Detail may not add to total because of rounding.
[b] Includes wage and salary workers, employers, own-account workers, and unpaid family workers. Excludes workers directly involved in work stoppages who receive no pay for the payroll period which includes 12th of the month.
[c] Excludes the potential or latent supply of workers not active in the labor market and workers directly involved in work stoppages.
Source: California Employment Development Department.

TABLE 5
WAGE AND SALARY WORKERS IN NONAGRICULTURAL ESTABLISHMENTS BY MAJOR INDUSTRY DIVISION, CALIFORNIA, 1972–88 [a]
(In thousands)

Year	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance, and real estate	Services	Government
1972	7,209.9	29.2	312.4	1,542.7	454.1	1,608.6	409.3	1,361.0	1,492.7
1973	7,621.9	30.5	333.4	1,660.7	467.0	1,703.2	431.6	1,470.6	1,524.8
1974	7,834.3	32.7	317.8	1,701.3	470.7	1,751.9	444.8	1,529.1	1,586.0
1975	7,847.2	33.9	285.9	1,593.7	458.1	1,786.3	446.4	1,572.4	1,670.6
1976	8,154.2	34.7	301.3	1,659.8	463.9	1,875.6	468.7	1,654.6	1,695.6
1977	8,599.7	35.6	350.4	1,737.8	476.5	1,982.4	505.4	1,770.9	1,740.7
1978	9,199.8	37.1	401.9	1,884.6	506.5	2,126.0	553.2	1,937.4	1,753.1
1979	9,664.6	39.3	448.7	2,012.7	534.7	2,223.8	595.9	2,074.6	1,735.0
1980	9,848.8	43.5	428.3	2,018.2	546.3	2,266.9	623.1	2,158.8	1,763.9
1981	9,985.3	49.2	407.6	2,032.3	554.8	2,301.6	642.9	2,240.5	1,756.4
1982	9,810.3	50.4	349.0	1,957.7	542.8	2,275.3	642.4	2,257.7	1,735.2
1983	9,965.8	48.1	369.3	1,949.3	536.9	2,343.9	661.7	2,332.2	1,724.3
1984	10,573.8	50.0	445.2	2,065.5	554.6	2,507.4	694.2	2,509.5	1,747.4
1985	10,979.1	49.5	496.2	2,076.1	568.7	2,626.1	724.5	2,644.8	1,792.8
1986	11,258.1	42.6	531.0	2,069.7	574.6	2,686.4	763.7	2,751.3	1,838.8
1987	11,678.5	41.1	574.6	2,107.6	582.6	2,761.4	800.9	2,926.7	1,883.7
1988	12,075.1	42.3	607.0	2,147.9	586.4	2,869.3	812.8	3,074.9	1,934.5

[a] Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers.
Source: California Employment Development Department.

TABLE 6
WAGE AND SALARY WORKERS [a] IN NONAGRICULTURAL ESTABLISHMENTS, BY MAJOR INDUSTRY DIVISION, SELECTED AREAS, 1987 AND 1988
(In thousands)

Area and year	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance, and real estate	Services	Government
Anaheim-Santa Ana									
1987	1,091.9	1.8	63.8	248.6	34.4	270.2	92.2	266.5	114.8
1988	1,132.0	1.4	66.8	257.1	34.0	280.3	92.4	282.2	117.9
Bakersfield									
1987	159.4	13.2	9.6	10.8	7.9	38.4	6.3	33.0	40.3
1988	161.1	14.2	9.7	10.6	7.2	38.6	6.4	33.7	40.8
Fresno									
1987	203.2	0.6	12.4	21.8	11.0	52.7	13.1	47.0	44.7
1988	207.5	0.6	12.1	22.0	11.5	53.3	12.2	49.7	46.1
Los Angeles-Long Beach									
1987	4,019.8	9.5	143.7	905.9	204.4	920.9	286.1	1,054.3	494.9
1988	4,109.8	9.8	148.4	904.3	204.3	951.5	286.0	1,098.2	507.4
Modesto									
1987	104.2	0.0	7.0	22.9	4.5	26.8	4.4	21.4	17.2
1988	109.0	0.0	7.2	23.7	4.5	28.5	4.4	22.7	18.1
Oakland									
1987	813.7	3.2	47.3	103.9	56.3	201.4	54.1	189.1	158.3
1988	841.6	3.3	50.3	108.8	56.0	206.7	55.4	199.9	161.2
Oxnard-Ventura									
1987	205.5	2.6	12.6	29.7	10.9	51.1	10.5	48.0	40.1
1988	213.9	2.8	13.9	30.2	11.1	52.8	11.2	51.1	40.6
Riverside-San Bernardino									
1987	600.9	1.3	49.7	80.1	30.5	151.4	26.1	141.5	120.3
1988	626.3	1.3	53.1	81.9	30.5	157.0	27.5	149.1	125.9
Sacramento									
1987	546.6	0.8	32.5	40.5	24.6	132.6	33.5	116.4	165.8
1988	569.9	0.7	33.5	41.7	25.0	137.8	35.5	124.5	171.3
Salinas-Seaside-Monterey									
1987	107.6	0.4	4.5	10.1	5.0	28.1	5.5	27.3	26.8
1988	108.2	0.4	4.6	10.2	5.0	28.9	5.6	26.8	26.9
San Diego									
1987	867.4	0.8	54.6	124.3	33.7	207.0	61.4	229.0	156.6
1988	912.7	0.8	57.3	127.3	35.2	222.0	63.8	243.1	163.2

TABLE 6—Continued

WAGE AND SALARY WORKERS [a] IN NONAGRICULTURAL ESTABLISHMENTS, BY MAJOR INDUSTRY DIVISION, SELECTED AREAS, 1987 AND 1988

(In thousands)

Area and year	Total	Mineral extraction	Construction	Manufacturing	Transportation and utilities	Trade	Finance, insurance, and real estate	Services	Government
San Francisco									
1987	928.4	1.0	34.6	79.2	77.2	210.9	112.5	279.1	133.9
1988	943.3	0.9	35.7	80.3	76.9	211.5	111.5	291.5	134.9
San Jose									
1987	789.1	0.2	32.2	262.0	21.5	154.4	33.9	198.1	86.9
1988	818.6	0.1	33.5	273.2	21.6	160.8	32.6	210.4	86.5
Santa Barbara-Santa Maria-Lompoc									
1987	143.9	1.3	6.4	22.0	5.1	34.1	8.6	39.4	27.1
1988	145.6	1.5	6.6	22.0	5.0	34.7	8.6	40.0	27.3
Santa Rosa-Petaluma									
1987	124.1	0.7	8.3	19.0	5.9	32.0	8.3	27.9	22.1
1988	127.8	0.7	8.6	19.6	5.8	32.8	8.5	28.9	22.8
Stockton									
1987	144.1	0.1	8.4	24.0	8.8	33.3	8.8	30.1	30.7
1988	146.7	0.1	8.4	24.1	8.9	34.3	8.8	30.6	31.6
Vallejo-Fairfield-Napa									
1987	124.7	0.4	8.8	11.6	4.6	29.6	4.7	28.0	37.1
1988	129.4	0.6	9.7	12.2	4.6	31.5	4.6	28.5	37.8

[a] Does not include employers, own-account workers, unpaid family workers, domestic servants, and agricultural workers.

Area definitions:

Anaheim-Santa Ana—Orange County.
Bakersfield—Kern County.
Fresno—Fresno County.
Los Angeles-Long Beach—Los Angeles County.
Modesto—Stanislaus County.
Oakland—Alameda and Contra Costa Counties.
Oxnard-Ventura—Ventura County.
Riverside-San Bernardino—Riverside and San Bernardino Counties.
Sacramento—El Dorado, Placer, Sacramento, and Yolo Counties.
Salinas-Seaside-Monterey—Monterey County.
San Diego—San Diego County.
San Francisco—Marin, San Francisco, and San Mateo Counties.
San Jose—Santa Clara County.
Santa Barbara-Santa Maria-Lompoc—Santa Barbara County.
Santa Rosa-Petaluma—Sonoma County.
Stockton—San Joaquin County.
Vallejo-Fairfield-Napa—Napa and Solano Counties.

Source: California Employment Development Department.

TABLE 7
WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1981–88
(In thousands)

Industry	1981	1982	1983	1984	1985	1986	1987	1988
Total	2,032.3	1,957.7	1,949.3	2,065.5	2,076.1	2,069.7	2,107.6	2,147.9
Nondurable goods	648.3	628.1	622.0	639.2	635.7	652.7	680.4	698.7
Durable goods	1,384.0	1,329.6	1,327.3	1,426.3	1,440.4	1,417.0	1,427.2	1,449.2
Nondurable goods								
Food and kindred products	186.8	182.5	173.4	173.3	169.2	170.6	171.4	175.5
Canned, cured, frozen sea foods	10.3	9.1	8.9	6.8	5.2	5.5	5.7	6.1
Meat products	18.9	18.6	16.7	17.1	17.4	17.4	19.2	19.3
Dairy products	14.7	14.0	13.5	13.0	12.6	12.6	12.3	12.0
Canned and preserved fruit and vegetables	56.1	55.4	52.0	53.6	51.3	50.4	50.6	53.5
Grain mill products	8.4	8.3	8.3	8.2	8.0	8.1	8.4	8.5
Bakery products	19.0	19.2	19.0	19.4	19.4	20.0	19.2	19.1
Beverages	25.9	26.0	25.4	25.2	25.6	26.7	26.8	27.7
Other food and kindred products	33.7	31.8	29.7	30.0	29.8	30.0	29.3	29.3
Textile mill products	13.7	12.4	13.0	13.7	13.9	14.9	16.3	16.7
Knitting mills	2.5	2.5	2.7	3.3	3.8	4.3	4.6	4.3
Floor covering mills	5.0	4.0	3.8	4.0	3.9	4.1	4.3	4.7
Other textile mill products	6.2	5.9	6.4	6.4	6.2	6.5	7.5	7.8
Apparel and other textile products	107.7	102.4	103.2	108.0	107.2	114.7	126.4	125.9
Men's and boys' furnishings	13.1	11.9	12.0	11.5	9.6	9.5	10.1	9.0
Women's and misses' outerwear	64.4	62.6	63.1	67.0	69.3	75.7	84.4	83.9
Women's and children's undergarments	4.5	4.1	4.0	4.1	3.8	3.9	3.8	3.6
Children's outerwear	1.8	2.0	2.1	2.3	2.1	2.4	2.7	2.5
Other apparel and textile products	24.0	21.8	21.9	23.1	22.4	23.2	25.4	26.8
Paper and allied products	38.5	37.3	37.0	38.7	39.6	40.0	41.1	41.1
Miscellaneous converted paper products	14.7	15.2	15.2	15.8	15.9	16.4	16.9	16.8
Paperboard containers and boxes	16.9	15.8	15.5	16.7	17.6	17.5	18.0	18.1
Other paper and allied products	6.9	6.3	6.3	6.2	6.1	6.1	6.2	6.2
Printing and publishing	125.1	124.5	128.3	136.5	140.1	145.1	152.4	160.1
Newspapers	43.2	42.5	43.2	46.4	47.7	48.9	50.7	52.4
Commercial printing	48.9	48.4	50.7	53.3	54.3	56.0	58.9	61.7
Other printing and publishing	33.0	33.6	34.5	36.8	38.1	40.2	42.8	46.0
Chemicals and allied products	68.3	65.7	63.8	64.1	63.7	64.7	67.8	72.7
Industrial inorganic chemicals	7.6	7.5	7.1	7.4	7.4	7.4	7.1	7.4
Plastics materials and synthetics	3.5	3.4	3.3	3.3	3.1	2.9	3.0	3.5
Drugs	19.3	19.4	19.5	19.3	19.0	20.1	21.4	22.8
Soaps, cleaners, toilet goods	14.5	13.3	12.1	12.4	12.4	13.0	14.4	15.6
Paints and allied products	7.4	6.7	6.7	7.2	7.5	7.5	7.5	7.4
Agricultural chemicals	5.3	4.6	4.1	3.9	3.6	3.3	3.2	3.4
Other chemicals and allied products	10.8	10.9	10.9	10.7	10.8	10.6	11.2	12.6
Petroleum and coal products	31.0	31.7	31.0	30.0	28.8	27.7	27.3	28.1
Petroleum refining	27.4	28.2	27.5	26.5	25.7	24.7	24.2	25.0
Other petroleum and coal products	3.6	3.5	3.6	3.5	3.1	3.0	3.1	3.2

TABLE 7—Continued
WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1981–88
(In thousands)

Industry	1981	1982	1983	1984	1985	1986	1987	1988
Rubber and plastics products	65.1	61.2	62.8	66.5	65.7	68.1	70.7	72.3
Tires and inner tubes	1.5	1.4	1.3	1.3	1.2	1.1	1.1	1.1
Footwear and fabricated products	10.3	9.7	10.0	10.4	10.0	9.9	9.9	10.1
Miscellaneous plastics products	52.3	49.1	50.5	54.1	53.6	55.9	58.6	59.7
Other rubber and plastics products	1.1	1.0	.9	.8	1.0	1.2	1.2	1.3
Leather and leather products	12.0	10.5	9.5	8.5	7.5	7.0	6.9	6.4
Durable goods								
Lumber and wood products excluding furniture	57.1	46.3	50.6	55.1	56.1	60.1	66.2	67.7
Logging camps, sawmills, planing mills	21.8	18.1	19.7	20.9	20.5	20.9	22.3	22.8
Millwork, plywood, structural members	15.2	12.6	14.3	16.9	18.4	20.9	24.4	25.6
Wooden containers	4.2	3.8	3.7	4.0	4.1	4.6	4.7	4.8
Other lumber and wood products	15.9	11.9	12.9	13.2	13.0	13.7	14.9	14.5
Furniture and fixtures	55.0	49.0	51.6	59.2	58.9	59.5	63.0	62.1
Household furniture	33.6	29.3	31.1	34.9	34.2	34.5	37.3	37.0
Partitions and fixtures	6.9	6.3	6.8	8.4	8.3	8.4	8.7	8.5
Other furniture and fixtures	14.5	13.4	13.8	16.0	16.5	16.6	17.0	16.6
Stone, clay, and glass products	56.7	50.4	48.7	51.6	50.8	52.5	53.7	56.8
Glass and glass products	17.6	16.3	15.8	15.8	15.1	15.3	15.5	16.1
Hydraulic cement	3.7	3.7	3.3	3.2	2.9	2.9	2.8	2.6
Structural clay products	3.2	2.5	2.4	2.3	2.2	2.2	2.2	2.4
Pottery and related products	6.0	4.7	4.5	4.7	4.1	4.1	4.3	4.3
Concrete, gypsum, plaster products	16.1	14.0	14.2	16.5	17.2	18.3	19.4	21.2
Other stone, clay, and glass products	10.1	9.3	8.4	9.1	9.4	9.9	9.5	10.1
Primary metal industries	54.9	47.6	43.5	42.6	41.6	40.8	42.0	43.7
Blast furnace and basic steel products	16.1	12.3	9.9	7.7	7.9	7.7	8.1	8.7
Iron and steel foundries	8.9	8.0	6.5	6.7	6.4	6.1	6.6	7.1
Nonferrous rolling and drawing	14.6	13.0	13.4	13.7	13.3	12.8	12.7	12.8
Nonferrous foundries	10.5	9.7	9.7	10.0	10.0	10.3	10.7	10.7
Other primary metals	4.7	4.5	4.0	4.2	4.1	3.9	3.9	4.4
Fabricated metal products	152.3	138.8	137.9	146.7	143.5	135.9	134.3	135.8
Can and shipping containers	9.8	9.1	8.9	8.4	8.3	7.9	7.5	7.2
Cutlery, hand tools, hardware	15.7	14.5	14.1	15.0	14.3	14.0	14.5	15.1
Plumbing and heating excluding electric	7.4	6.7	6.7	7.4	7.7	7.4	7.0	7.4
Fabricated structural products	50.2	45.3	44.5	47.0	45.1	41.7	40.5	40.3
Screw machine products, bolts, etc.	15.0	12.1	11.4	12.4	12.6	12.3	13.1	13.3
Forgings and stampings	14.2	13.5	14.2	15.7	15.8	15.6	15.0	14.8
Metal services	20.0	18.3	18.9	20.3	19.9	19.3	20.2	20.7
Other fabricated metal products	19.9	19.3	19.2	20.5	19.9	17.6	16.7	17.0

TABLE 7—Continued

WAGE AND SALARY WORKERS IN MANUFACTURING, CALIFORNIA, 1981–88

(In thousands)

Industry	1981	1982	1983	1984	1985	1986	1987	1988
Machinery excluding electrical	234.5	227.6	223.4	239.2	229.4	214.0	212.3	216.8
Farm and garden	5.7	5.0	4.7	4.6	4.3	3.7	4.1	4.4
Construction and related	23.3	20.8	14.1	14.3	13.5	11.1	9.8	9.4
Metalworking	18.9	16.8	16.3	17.8	17.7	16.3	16.3	17.7
Special industry	13.4	13.0	12.6	13.7	13.3	12.0	12.0	12.9
General industry	20.8	19.5	18.3	19.7	19.7	18.2	18.0	16.4
Office, computing, accounting	98.4	103.9	109.9	117.9	111.4	107.2	105.8	107.8
Refrigeration and service industry	8.0	8.3	8.4	8.6	9.2	9.0	9.1	9.6
Other machinery excluding electrical	45.9	40.4	39.2	42.6	40.3	36.5	37.2	38.6
Electrical equipment and supplies	351.4	358.0	365.4	406.3	413.4	399.7	396.9	400.3
Electrical distribution equipment	9.3	8.5	8.0	10.7	11.7	11.5	11.9	13.1
Industrial apparatus	14.3	13.2	12.1	14.4	13.2	11.2	10.3	10.2
Household appliances	6.2	4.7	4.5	3.9	3.9	3.8	4.0	4.0
Lighting and wiring equipment	22.3	20.2	20.0	22.0	22.6	23.2	23.4	23.3
Radio and TV receiving equipment	17.3	14.9	13.5	13.7	13.6	14.0	14.5	15.1
Communication equipment	146.5	157.2	158.7	167.2	179.1	179.5	174.3	168.7
Electronic components and accessories	126.1	131.0	139.8	165.3	160.8	148.6	150.4	157.6
Miscellaneous electrical equipment and supplies	9.5	8.3	8.9	9.2	8.4	7.9	8.2	8.4
Transportation and equipment	278.0	266.3	261.9	277.5	297.3	306.7	310.2	311.7
Motor vehicles and equipment	35.0	30.6	30.3	33.4	33.6	32.5	33.3	34.6
Aircraft and parts	147.9	137.3	133.3	141.1	156.7	167.4	171.6	172.3
Ship and boat building and repairing	22.9	22.4	18.7	18.2	17.5	15.4	13.6	13.0
Guided missiles, space vehicles and parts	62.7	66.4	69.3	73.8	78.1	81.0	81.1	81.2
Other transportation equipment	9.5	9.6	10.4	11.1	11.4	10.4	10.5	10.6
Instruments and related products	102.6	102.4	103.7	110.1	113.9	112.2	112.9	117.7
Measuring and controlling	48.2	47.6	47.5	51.1	54.1	54.3	54.5	57.7
Other instruments and related products	54.4	54.8	56.2	59.0	59.8	58.0	58.4	60.1
Miscellaneous manufacturing	41.5	43.2	40.6	37.9	35.5	35.5	35.8	36.5
Toys and sporting goods	18.0	21.0	18.3	15.1	13.2	12.4	12.4	12.1
Other miscellaneous manufacturing	23.6	22.2	22.3	22.9	22.3	23.0	23.5	24.4

Source: California Employment Development Department.
(Official U.S. Bureau of Labor Statistics series. The text portion of the report uses the interim series prepared by the Department of Finance.)

TABLE 8
AEROSPACE EMPLOYMENT IN CALIFORNIA, 1960–88
(In thousands)

Year and Month [a]	Total Aerospace	Office Computing and Accounting Machines	Radio and TV Receiving Equipment	Communication Equipment	Electronic Components and Accessories	Aircraft and Parts	Guided Missiles and Space Vehicles	Measuring and Controlling Instruments
1960	422.5	23.3	9.9	92.2	29.1	181.4	68.4	18.2
1961	425.8	23.6	10.6	98.8	31.2	166.0	76.2	19.5
1962	457.6	25.4	12.0	112.0	35.4	161.0	89.6	22.1
1963	458.3	25.6	11.9	110.4	34.8	160.1	93.7	21.8
1964	433.5	26.9	11.0	98.1	32.4	153.6	90.8	20.8
1965	434.3	30.2	10.8	95.7	34.9	155.3	86.0	21.4
1966	495.0	33.8	13.7	103.3	47.7	181.3	92.1	23.1
1967	542.4	38.8	15.0	117.6	52.0	198.6	97.4	23.0
1968	544.3	42.7	15.5	117.0	52.4	195.4	96.9	24.6
1969	528.3	53.4	16.7	114.4	57.7	178.3	82.6	25.3
1970	466.3	58.3	15.1	102.9	53.0	148.3	64.5	24.3
1971	409.6	52.3	14.2	91.1	45.9	130.3	52.9	23.0
1972	427.4	52.1	15.0	95.1	52.0	135.4	52.8	25.1
1973	462.8	61.4	15.5	100.0	68.9	135.6	51.0	30.5
1974	485.8	69.7	15.8	102.6	78.5	134.9	51.7	32.7
1975	450.5	63.3	14.9	103.0	65.7	121.3	52.0	30.2
1976	449.6	62.3	16.1	105.4	74.8	108.5	50.0	32.5
1977	465.2	67.0	16.6	108.4	82.3	109.4	48.0	33.5
1978	518.8	80.1	17.8	119.1	97.3	117.5	49.6	37.4
1979	590.6	92.2	18.0	129.6	114.6	140.4	54.0	41.9
1980	632.6	97.9	17.6	137.3	124.2	151.0	58.6	46.0
1981	647.1	98.4	17.3	146.5	126.1	147.9	62.7	48.2
1982	658.3	103.9	14.9	157.2	131.0	137.3	66.4	47.6
1983	672.0	109.9	13.5	158.7	139.8	133.3	69.3	47.5
1984	730.0	117.9	13.7	167.2	165.3	141.1	73.8	51.1
1985	753.7	111.4	13.6	179.1	160.8	156.7	78.1	54.1
1986	752.0	107.2	14.0	179.5	148.6	167.4	81.0	54.3
1987	752.2	105.8	14.5	174.3	150.4	171.6	81.1	54.5
1988	760.3	107.8	15.1	168.7	157.6	172.3	81.2	57.7
1988 January	759.1	104.5	14.8	173.3	155.6	173.6	81.2	56.1
February	759.5	105.4	14.9	172.6	156.1	172.6	81.4	56.5
March	761.0	106.1	14.9	172.9	156.7	171.8	81.7	56.9
April	758.9	106.7	15.0	171.0	156.5	171.1	81.6	57.0
May	757.7	107.0	14.9	169.6	156.9	170.7	81.4	57.2
June	759.9	107.7	15.0	169.3	157.7	171.4	81.1	57.7
July	761.3	109.0	14.9	168.6	157.7	171.8	81.2	58.1
August	760.5	109.4	14.9	167.9	157.9	172.2	80.9	58.3
September	760.3	108.8	15.1	167.2	158.2	172.3	80.6	58.1
October	761.3	109.1	15.4	165.8	158.8	172.7	81.1	58.4
November	761.9	109.4	15.6	164.5	159.1	173.6	81.1	58.6
December	760.6	109.9	15.7	161.2	159.6	174.3	81.0	58.9

[a] Data from 1960 through 1971 calculated using aerospace categories as defined by 1972 SIC codes. Data from 1972 through 1988 represent the official benchmarked aerospace series based upon the 1972 SIC codes.
Source: California Employment Development Department.

TABLE 9

AVERAGE WEEKLY AND HOURLY EARNINGS AND AVERAGE HOURS WORKED PER WEEK, PRODUCTION AND RELATED WORKERS IN MANUFACTURING, CALIFORNIA AND UNITED STATES, 1960–88 [a]

Year	California			United States		
	Average weekly earnings	Average hourly earnings	Average hours per week	Average weekly earnings	Average hourly earnings	Average hours per week
1960	$104.28	$ 2.62	39.8	$ 89.72	$ 2.26	39.7
1961	108.53	2.72	39.9	92.34	2.32	39.8
1962	112.44	2.79	40.3	96.15	2.38	40.4
1963	115.78	2.88	40.2	99.22	2.45	40.5
1964	119.29	2.96	40.3	102.97	2.53	40.7
1965	123.83	3.05	40.6	107.53	2.61	41.2
1966	128.93	3.16	40.8	112.34	2.72	41.3
1967	132.92	3.29	40.4	114.49	2.82	40.6
1968	138.63	3.44	40.3	122.51	3.01	40.7
1969	145.89	3.62	40.3	129.51	3.19	40.6
1970	150.48	3.80	39.6	133.33	3.35	39.8
1971	158.79	4.02	39.5	142.44	3.57	39.9
1972	170.43	4.25	40.1	154.71	3.82	40.5
1973	178.93	4.44	40.3	166.46	4.09	40.7
1974	188.97	4.76	39.7	177.20	4.43	40.0
1975	205.67	5.22	39.4	190.30	4.83	39.4
1976	221.92	5.59	39.7	208.80	5.22	40.0
1977	240.60	6.00	40.1	228.50	5.67	40.3
1978	257.84	6.43	40.1	249.27	6.17	40.4
1979	280.50	7.03	39.9	269.34	6.70	40.2
1980	304.15	7.70	39.5	288.62	7.27	39.7
1981	338.98	8.56	39.6	318.00	7.99	39.8
1982	362.21	9.24	39.2	330.26	8.49	38.9
1983	380.80	9.52	40.0	354.08	8.83	40.1
1984	393.73	9.77	40.3	374.03	9.19	40.7
1985	406.82	10.12	40.2	385.97	9.53	40.5
1986	417.51	10.36	40.3	396.01	9.73	40.7
1987	433.23	10.75	40.3	406.31	9.91	41.0
1988	442.00	10.86	40.7	417.99 [b]	10.17 [b]	41.1 [b]

[a] Averages are based upon data for full-time and part-time production and related workers in production and other departments, such as shipping, maintenance, and warehousing. Overtime pay and premium wages for late-shift work are included.

[b] Preliminary data.

Source: California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

TABLE 10

AVERAGE WEEKLY AND HOURLY EARNINGS AND AVERAGE HOURS WORKED PER WEEK IN SELECTED NONMANUFACTURING INDUSTRIES, CALIFORNIA, 1988 [a]

Industry	Average weekly earnings	Average hourly earnings	Average hours per week
Mineral extraction			
Oil and gas extraction	$603.52	$14.72	41.0
Nonmetallic minerals, except fuels	663.64	16.03	41.4
Contract construction			
General building contractors	714.07	19.51	36.6
Heavy construction contractors, except building	735.26	18.95	38.8
Special trade contractors [b]	620.38	17.93	34.6
Transportion and Utilities			
Electric, gas, and sanitary services	746.20	18.20	41.0
Trade			
Wholesale	442.36	11.58	38.2
Retail (excluding eating/drinking)	300.70	9.70	31.0
Services			
Motion picture production	653.40	18.51	35.3

[a] Averages are based upon data for full-time and part-time production and related workers in mineral extraction, construction, workers in construction and nonsupervisory employees and working supervisors in other industries. Overtime hours and pay and premium wages for late-shift work are included.

[b] Detailed data are no longer available.

Source: California Employment Development Department.

TABLE 11
PERSONAL INCOME IN CALIFORNIA, TOTAL AND PER CAPITA, 1960–88

Year	Total			Per capita [a]		
	Amount (In millions)	Percent change	Percent of U.S.	Amount	Percent change	Percent of U.S. average
1960	$44,207	—	10.9	$2,786	—	123.6
1961	46,862	6.0	11.1	2,841	2.0	123.0
1962	50,580	7.9	11.2	2,963	4.3	122.3
1963	54,129	7.0	11.4	3,064	3.4	122.1
1964	58,691	8.4	11.6	3,233	5.5	122.0
1965	62,779	7.0	11.5	3,378	4.5	119.3
1966	68,322	8.8	11.5	3,623	7.3	118.9
1967	73,590	7.7	11.5	3,838	5.9	118.6
1968	80,647	9.6	11.5	4,158	8.3	118.3
1969	88,401	9.6	11.5	4,485	7.9	117.8
1970	95,039	7.5	11.5	4,746	5.8	117.2
1971	100,865	6.1	11.4	4,958	4.5	115.4
1972	110,341	9.4	11.3	5,360	8.1	114.9
1973	121,784	10.4	11.1	5,836	8.9	112.6
1974	136,194	11.8	11.3	6,433	10.2	113.9
1975	149,700	9.9	11.4	6,951	8.1	114.5
1976	167,708	12.0	11.6	7,646	10.0	115.0
1977	187,133	11.6	11.7	8,373	9.5	114.8
1978	214,938	14.9	11.9	9,411	12.4	115.7
1979	244,775	13.9	12.1	10,526	11.8	116.5
1980	276,107	12.8	12.2	11,603	10.2	117.0
1981	308,731	11.8	12.3	12,723	9.7	116.2
1982	328,033	6.3	12.3	13,235	4.0	115.3
1983	352,438	7.4	12.4	13,926	5.2	115.1
1984	389,183	10.4	12.5	15,096	8.4	115.1
1985	422,142	8.5	12.7	16,016	6.1	115.3
1986	453,404	7.4	12.9	16,792	4.8	115.0
1987	492,989	8.7	13.1	17,821	6.1	115.1
1988 [b]	534,185	8.4	13.2	18,866	5.9	114.5

[a] Per capita figures derived using population estimates of the California Department of Finance.
[b] Estimated.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance.

TABLE 12
PERSONAL INCOME BY MAJOR SOURCES, CALIFORNIA, 1960–88
(In millions)

Year	Total Personal Income [a]	Wages and salaries	Other labor income	Proprietor		Property income	Transfer payments	Less: Contributions for social insurance	Residence adjustment
				Farm	Other				
1960	$44,207	$29,168	$1,106	$865	$4,794	$6,333	$3,121	$1,085	−$95
1961	46,862	30,770	1,204	806	5,102	6,634	3,601	1,171	−84
1962	50,580	33,260	1,354	905	5,421	7,166	3,832	1,277	−82
1963	54,129	35,674	1,531	852	5,631	7,770	4,221	1,479	−71
1964	58,691	38,273	1,758	999	6,156	8,576	4,592	1,582	−71
1965	62,779	40,751	1,948	915	6,409	9,419	5,068	1,712	−18
1966	68,322	44,914	2,164	1,006	6,709	10,093	5,679	2,225	−18
1967	73,590	48,141	2,333	921	7,035	10,837	6,860	2,521	−16
1968	80,647	52,824	2,723	1,059	7,712	11,290	7,844	2,785	−18
1969	88,401	57,917	3,108	966	8,053	12,494	9,035	3,154	−18
1970	95,039	61,230	3,473	979	8,219	13,520	10,978	3,353	−7
1971	100,865	63,908	3,802	965	8,872	14,244	12,637	3,564	2
1972	110,341	69,895	4,486	1,391	9,987	15,031	13,716	4,174	9
1973	121,784	76,904	5,100	2,021	10,853	16,849	15,172	5,135	21
1974	136,194	84,419	5,903	2,549	11,769	18,977	17,919	5,376	34
1975	149,700	90,834	7,038	2,003	13,280	19,810	22,288	5,731	178
1976	167,708	100,631	8,515	2,042	16,217	21,722	24,852	6,562	290
1977	187,133	112,559	10,424	2,110	18,093	24,312	26,859	7,373	149
1978	214,938	128,656	12,150	2,391	20,947	29,596	29,157	8,092	132
1979	244,775	146,384	14,006	3,246	22,695	35,577	32,119	9,664	112
1980	276,107	163,739	16,110	4,108	22,249	42,294	37,393	9,881	104
1981	308,731	182,172	17,706	3,550	21,344	52,025	43,659	11,885	161
1982	328,033	193,183	19,861	2,949	21,419	55,579	47,895	12,827	172
1983	352,438	207,021	21,546	2,967	25,401	59,218	50,638	14,556	203
1984	389,183	229,740	23,094	3,549	29,642	66,935	52,252	16,252	223
1985	422,142	250,455	24,158	3,968	32,734	71,780	57,328	18,532	250
1986	453,404	269,662	25,558	4,093	37,136	75,396	61,570	20,214	203
1987	492,989	294,691	27,604	4,815	40,546	81,586	65,431	21,868	183
1988 [b]	534,185	320,001	29,694	5,286	44,020	90,274	69,905	25,180	185

[a] Detail may not add to total because of rounding.
[b] Estimated.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, and California Department of Finance.

TABLE 13
DISPOSABLE PERSONAL INCOME, CALIFORNIA 1960–87

	Disposable Personal Income		Per Capita Disposable Income	
	Amount (In millions)	Percent Change	Amount	Percent Change
1960	$38,551	—	$2,429	—
1961	40,875	6.0	2,478	2.0
1962	44,022	7.7	2,579	4.1
1963	47,103	7.0	2,666	3.4
1964	51,957	10.3	2,862	7.4
1965	55,584	7.0	2,991	4.5
1966	60,093	8.1	3,187	6.6
1967	64,452	7.3	3,361	5.5
1968	69,774	8.3	3,598	7.1
1969	75,674	8.5	3,839	6.7
1970	82,712	9.3	4,131	7.6
1971	88,578	7.1	4,354	5.4
1972	94,949	7.2	4,613	5.9
1973	106,005	11.6	5,080	10.1
1974	118,249	11.6	5,585	9.9
1975	131,533	11.2	6,107	9.3
1976	145,806	10.9	6,647	8.8
1977	161,575	10.8	7,229	8.8
1978	184,885	14.4	8,095	12.0
1979	209,087	13.1	8,991	11.1
1980	235,003	12.4	9,875	9.8
1981	262,962	11.9	10,836	9.7
1982	280,812	6.8	11,330	4.6
1983	303,927	8.2	12,009	6.0
1984	335,105	10.3	12,998	8.2
1985	361,501	7.9	13,715	5.5
1986	388,371	7.4	14,384	4.9
1987	418,763	7.8	15,138	5.2

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 14
INDUSTRIAL SOURCES OF EARNINGS, CALIFORNIA AND UNITED STATES, 1985–87
(In percent)

Industry	California			United States		
	1985	1986	1987	1985	1986	1987
Total [a]	100.0	100.0	100.0	100.0	100.0	100.0
Farming	1.9	1.8	1.8	1.6	1.7	1.8
Mining	0.9	0.5	0.5	1.7	1.2	1.0
Construction	6.4	6.6	6.7	6.3	6.4	6.4
Manufacturing	19.9	19.2	18.6	22.0	21.2	20.4
Transportation, communication, and public utilities	6.5	6.4	6.1	7.2	7.0	6.9
Trade	16.5	16.4	15.8	16.4	16.3	16.2
Finance, insurance, real estate	6.8	7.4	7.7	6.5	6.9	7.2
Services	25.0	25.7	26.8	22.0	23.0	23.9
Government	15.6	15.4	15.1	15.9	15.8	15.7
Other [b]	0.8	0.7	0.8	0.5	0.5	0.5

[a] Consists of wage and salary disbursements, other labor income and proprietors' income. Detail may not add to total due to rounding.
[b] Agricultural services, forestry, fisheries and other.
Source: Computed by California Department of Finance from data reported by the U.S. Department of Commerce, Bureau of Economic Analysis.

TABLE 15

NUMBER OF PERSONAL INCOME TAX RETURNS, ADJUSTED GROSS INCOME TAXABLE INCOME, AND TAX ASSESSED, 1960–86

(Income in thousands)

Income Year [a]	Number of returns	Adjusted gross income	Taxable income	Tax assessed
1960	4,239,099	$31,234,015	$13,337,516	$256,450,535
1961	4,454,831	33,581,594	14,624,977	290,676,930
1962	4,558,688	35,875,383	15,833,652	304,396,656
1963	4,851,770	38,835,003	17,382,196	338,006,936
1964	4,981,588	42,133,398	19,411,712	391,744,625
1965	5,167,529	45,234,006	21,088,900	432,886,449
1966	5,445,732	48,692,542	23,442,015	478,765,378
1967	5,449,456	52,827,614	43,252,693	947,644,969
1968	5,334,038	56,636,453	44,663,419	1,061,700,536
1969	5,586,849	60,874,377	47,983,889	1,088,914,303
1970	5,554,362	63,189,993	49,434,451	1,212,386,611
1971	5,690,817	67,784,603	52,618,643	1,132,505,465
1972	6,972,468	78,371,548	60,904,375	1,691,312,440
1973	7,490,292	85,533,832	66,863,680	1,536,631,957
1974	7,929,997	93,727,065	73,916,530	2,360,763,630
1975	8,124,290	101,597,846	80,476,280	2,758,812,903
1976	8,620,249	115,605,336	91,731,547	3,359,556,988
1977	8,989,797	132,780,576	105,756,245	4,224,600,738
1978	9,448,710	149,103,646	119,658,733	4,174,010,707
1979	10,190,263	169,787,242	136,691,944	5,973,284,386
1980	10,335,674	189,296,755	150,455,416	6,205,907,550
1981	10,661,919	209,941,951	165,129,794	6,774,149,612
1982	10,721,424	224,864,258	175,605,697	7,240,834,538
1983	10,950,080	244,257,462	188,843,751	8,424,611,422
1984	11,630,329	290,103,630	229,858,627	9,817,265,664
1985	11,857,200	306,005,694	240,023,248	10,636,087,730
1986	12,241,172	340,363,750	266,290,027	12,586,418,855

[a] Changes in the Personal Income Tax Law effective with returns for the 1987 income year make prior year information not comparable.

Source: California Franchise Tax Board.

TABLE 16
PERSONAL INCOME TAX STATISTICS, BY COUNTY, 1986 INCOME YEAR

County	All Returns—taxable and nontaxable			Joint Returns		
	Number of Returns	Adjusted Gross Income (thousands)	Median Income	Number of Returns	Median Income	Tax Assessed (thousands)
Alameda	523,694	$14,932,145	$21,140	209,460	$39,039	$541,667
Alpine	227	5,083	15,938	112	29,000	125
Amador	9,633	228,809	18,448	5,804	26,500	6,526
Butte	60,016	1,214,757	14,106	30,839	23,457	33,858
Calaveras	9,033	209,559	17,473	5,461	25,295	6,021
Colusa	5,518	121,541	14,566	3,056	21,867	4,503
Contra Costa	310,220	10,801,105	25,482	149,279	43,810	438,411
Del Norte	6,256	106,202	12,937	3,512	21,603	2,452
El Dorado	38,656	940,139	18,602	21,633	29,321	24,969
Fresno	216,207	4,594,371	14,275	106,562	24,886	138,140
Glenn	8,219	161,883	14,472	4,630	22,276	4,135
Humboldt	42,496	906,123	15,043	21,007	26,944	28,420
Imperial	33,797	610,628	12,018	19,750	17,035	15,873
Inyo	7,286	160,841	16,354	3,901	27,046	4,645
Kern	168,298	3,913,156	16,882	88,693	28,018	112,184
Kings	25,261	514,501	14,917	13,928	23,244	13,871
Lake	16,494	327,619	14,226	9,382	21,008	8,474
Lassen	7,884	172,068	17,861	4,662	25,905	4,432
Los Angeles	3,298,838	94,615,665	17,776	1,308,857	32,392	3,788,307
Madera	25,209	515,225	14,997	14,783	23,433	13,023
Marin	105,300	4,343,917	24,657	42,198	47,680	230,877
Mariposa	4,892	97,793	15,116	2,597	23,847	2,339
Mendocino	28,366	605,364	15,581	14,520	25,582	17,865
Merced	51,197	983,916	13,795	27,591	22,062	25,570
Modoc	2,801	51,791	14,362	1,661	20,549	1,337
Mono	3,425	76,440	16,357	1,465	28,966	2,275
Monterey	111,555	2,894,527	17,350	52,696	28,989	103,735
Napa	41,590	1,176,027	20,476	20,514	33,807	43,242
Nevada	25,775	632,362	18,221	14,645	27,153	18,940
Orange	951,916	29,871,429	21,584	426,059	39,864	1,182,446
Placer	60,661	1,677,693	20,644	33,380	33,832	51,774
Plumas	6,808	147,559	17,075	3,997	26,319	3,796
Riverside	307,605	7,808,746	18,032	162,155	29,469	241,987
Sacramento	378,569	9,678,519	19,250	169,605	33,541	306,005
San Benito	11,594	270,985	16,580	6,058	27,992	7,997
San Bernardino	388,699	9,389,131	19,463	202,232	31,648	269,018
San Diego	846,506	23,291,718	18,773	384,003	32,779	819,978
San Francisco	366,940	10,554,956	18,004	102,090	30,773	522,838
San Joaquin	158,793	3,686,905	16,718	79,644	29,137	110,892
San Luis Obispo	70,734	1,723,217	17,778	35,737	29,172	53,145
San Mateo	280,196	10,576,334	24,660	120,833	43,385	499,647
Santa Barbara	136,708	4,815,784	19,365	61,391	34,185	167,971
Santa Clara	624,966	20,645,619	24,337	269,531	43,378	822,132
Santa Cruz	91,764	2,481,047	17,931	40,469	32,032	84,561
Shasta	49,287	1,054,882	15,540	27,464	24,996	29,201
Sierra	1,166	23,998	17,434	669	24,172	579
Siskiyou	15,312	299,937	14,502	8,811	22,041	8,732
Solano	106,730	2,913,973	22,484	54,910	36,148	84,790
Sonoma	147,998	4,023,821	19,848	69,331	34,400	139,613
Stanislaus	118,769	2,652,444	15,875	61,317	26,660	81,180

TABLE 16—Continued
PERSONAL INCOME TAX STATISTICS, BY COUNTY, 1986 INCOME YEAR

County	All Returns—taxable and nontaxable			Joint Returns		Tax Assessed (thousands)
	Number of Returns	Adjusted Gross Income (thousands)	Median Income	Number of Returns	Median Income	
Sutter	20,963	463,115	15,106	11,636	24,611	14,271
Tehama	14,400	274,275	14,729	8,233	22,361	6,872
Trinity	4,083	80,674	15,744	2,457	22,215	1,988
Tulare	92,214	1,762,192	13,184	51,096	21,111	48,944
Tuolumne	16,211	361,594	16,977	9,203	25,781	9,679
Ventura	237,906	7,207,812	21,932	121,738	37,791	244,737
Yolo	49,513	1,237,154	16,586	22,495	31,022	39,465
Yuba	16,801	289,218	12,614	9,018	19,985	6,620
Unallocated [1]	140,389	3,561,564	16,040	56,022	31,774	121,260
Resident Out of State [2]	81,546	2,408,252	14,937	30,686	24,975	125,294
Nonresident	197,326	13,583,591	25,319	112,097	37,193	160,421
Totals:						
58 Counties	10,761,955	$305,178,378	—	4,758,800	—	$11,497,074
All	11,181,216	$324,731,785	$19,085	4,957,605	$33,463	$11,904,049

[1] Unable to determine county of residence from tax returns.
[2] Resident returns filed with out-of-state address.
Source: California Franchise Tax Board.

TABLE 17
CONSUMER PRICE INDEX, UNITED STATES, CALIFORNIA, LOS ANGELES, SAN FRANCISCO, AND SAN DIEGO, 1970–88
(1982–84 = 100)

Year	United States	California [a]	Los Angeles-Long Beach [b]	San Francisco-Oakland [c]	San Diego [d]
All Urban Consumers					
1970	38.8	37.9	38.7	37.7	34.1
1971	40.5	39.3	40.1	39.1	35.4
1972	41.8	40.6	41.4	40.4	36.8
1973	44.4	43.0	43.7	42.8	39.2
1974	49.3	47.4	48.2	47.0	43.5
1975	53.8	52.3	53.3	51.8	47.6
1976	56.9	55.6	56.9	54.6	50.5
1977	60.6	59.5	60.8	58.8	53.8
1978	65.2	64.4	65.3	64.3	59.2
1979	72.6	71.3	72.3	69.8	68.9
1980	82.4	82.4	83.7	80.4	79.4
1981	90.9	91.4	91.9	90.8	90.1
1982	96.5	97.3	97.3	97.6	96.2
1983	99.6	98.9	99.1	98.4	99.0
1984	103.9	103.8	103.6	104.0	104.8
1985	107.6	108.6	108.4	108.4	110.4
1986	109.6	112.0	111.9	111.6	113.5
1987	113.6	116.6	116.7	115.4	117.5
1988	118.3	121.9	122.1	120.5	123.4
Urban Wage Earners and Clerical Earners					
1970	39.0	38.2	38.7	38.0	35.8
1971	40.7	39.6	40.1	39.4	37.1
1972	42.1	40.9	41.4	40.8	38.6
1973	44.7	43.3	43.7	43.2	41.1
1974	49.6	47.7	48.2	47.4	45.6
1975	54.1	52.6	53.3	52.2	49.9
1976	57.2	55.9	56.8	55.2	52.9
1977	60.9	59.9	60.8	59.4	56.4
1978	65.6	64.7	65.1	64.8	61.9
1979	73.1	72.1	72.8	70.5	71.4
1980	82.9	83.6	84.7	81.2	82.1
1981	91.4	92.7	93.1	91.6	92.8
1982	96.9	98.5	98.5	98.2	99.4
1983	99.8	99.0	99.3	98.2	99.0
1984	103.3	102.5	102.2	103.7	101.7
1985	106.9	106.7	106.5	107.8	104.5
1986	108.6	109.6	109.5	110.7	107.2
1987	112.5	113.9	114.0	114.3	111.1
1988	117.0	118.9	119.0	119.4	116.5

[a] Computed by the Department of Industrial Relations, Division of Labor Statistics and Research as a weighted average of the indexes for Los Angeles-Long Beach, San Francisco-Oakland, and from 1965–86, San Diego.
[b] 1978–86: Los Angeles and Orange counties. Starting with 1987, Riverside, San Bernardino, and Ventura counties are also included.
[c] 1978–86: Alameda, Contra Costa, Marin, San Francisco, and San Mateo counties. Starting with 1987, Napa, Santa Clara, Santa Cruz, Solano, and Sonoma counties are also included.
[d] San Diego County.
Source: U.S. Department of Labor, Bureau of Labor Statistics and California Department of Industrial Relations.

TABLE 18
CALIFORNIA CASH FARM INCOME, NONCASH INCOME, INVENTORY ADJUSTMENT, PRODUCTION EXPENSES AND INCOME, 1960–87
(In millions of dollars)

Year	Cash Farm Income [a]	Noncash Income [b]	Inventory Adjustment	Gross Farm Income [c]	Production Expense	Net Farm Income
1960	3,271	134	45	3,450	2,476	974
1961	3,317	146	−5	3,458	2,577	881
1962	3,485	143	87	3,715	2,758	957
1963	3,582	146	3	3,731	2,827	904
1964	3,747	149	15	3,911	2,842	1,069
1965	3,803	154	60	4,017	3,043	974
1966	4,188	156	−40	4,304	3,212	1,092
1967	4,096	150	17	4,263	3,297	966
1968	4,452	151	39	4,642	3,474	1,168
1969	4,656	154	−62	4,749	3,661	1,088
1970	4,717	152	−16	4,854	3,828	1,025
1971	5,028	161	21	5,210	4,193	1,017
1972	5,698	171	15	5,884	4,324	1,560
1973	7,401	192	160	7,753	5,197	2,556
1974	8,678	223	162	9,063	6,197	2,866
1975	8,587	265	81	8,933	6,599	2,334
1976	9,214	291	−25	9,479	7,231	2,248
1977	9,623	295	6	9,924	7,584	2,340
1978	10,246	340	−19	11,166	8,536	2,631
1979	13,067	466	208	13,741	10,034	3,707
1980	14,116	581	211	14,907	10,809	4,098
1981	14,205	688	614	15,506	11,476	4,030
1982	14,872	783	−449	15,206	12,003	3,203
1983	13,818	801	−124	14,495	11,936	2,558
1984	14,983	796	304	16,082	12,179	3,903
1985	14,882	718	139	15,738	11,583	4,154
1986	15,267	657	−446	15,478	10,860	4,618
1987	16,246	576	−36	16,786	11,105	5,682

[a] Receipts from marketings plus government payments, other farm income and nonmoney income.
[b] Value of home consumption and gross rental value of farm dwellings.
[c] Net farm income before adjustment plus net change in inventories. May not total due to rounding.
Source: United States Department of Agriculture, Economic Research Service.

TABLE 19
CALIFORNIA CASH FARM INCOME, ALL CROPS, LIVESTOCK AND POULTRY, OTHER FARM INCOME, AND GOVERNMENT PAYMENTS, 1960–87
(In millions of dollars)

Year	Cash Farm Income[a]	All Crops	Livestock and Poultry	Other Farm Related Income[b]	Government Payments
1960	3,271	1,976	1,246	27	22
1961	3,317	1,985	1,278	26	28
1962	3,485	2,081	1,344	28	32
1963	3,582	2,170	1,350	30	32
1964	3,747	2,369	1,309	35	34
1965	3,803	2,295	1,427	40	41
1966	4,188	2,477	1,565	42	104
1967	4,096	2,374	1,564	48	110
1968	4,452	2,679	1,621	51	101
1969	4,656	2,711	1,768	54	123
1970	4,717	2,718	1,815	52	132
1971	5,028	2,980	1,876	59	113
1972	5,698	3,430	2,086	60	122
1973	7,401	4,659	2,563	73	106
1974	8,678	5,796	2,786	78	18
1975	8,587	5,674	2,800	97	16
1976	9,214	6,173	2,923	105	13
1977	9,623	6,495	2,947	106	75
1978	10,846	7,302	3,381	107	57
1979	13,067	8,658	4,227	122	61
1980	14,116	9,899	4,089	115	14
1981	14,205	9,839	4,219	124	23
1982	14,872	10,089	4,393	255	135
1983	13,818	9,015	4,213	237	353
1984	14,983	9,890	4,529	229	335
1985	14,882	9,987	4,324	270	302
1986	15,267	10,209	4,435	234	388
1987	16,246	10,781	4,741	262	462

[a] Receipts from marketings plus government payments and other farm income (may not total due to rounding).
[b] Includes forest product sales, recreational income and other farm business related income. Estimates for 1982 and later include income from custom feeding services.
Source: United States Department of Agriculture, Economic Research Service.

TABLE 20
CALIFORNIA CASH FARM RECEIPTS FROM CROPS, 1960–87
(In millions of dollars)

Year	All Crops	Fruits and Nuts	Vegetables	Field Crops	Nursery Products
1960	1,976	586	448	830	112
1961	1,985	587	475	804	119
1962	2,081	601	522	826	132
1963	2,170	647	505	879	139
1964	2,369	724	563	917	165
1965	2,295	631	594	900	170
1966	2,477	712	690	893	182
1967	2,374	666	713	807	188
1968	2,679	786	855	842	196
1969	2,711	848	782	864	217
1970	2,718	824	771	889	234
1971	2,980	935	915	884	246
1972	3,430	1,018	1,050	1,071	291
1973	4,659	1,554	1,191	1,549	365
1974	5,796	1,503	1,490	2,382	421
1975	5,674	1,507	1,633	2,064	470
1976	6,173	1,608	1,589	2,427	549
1977	6,495	2,017	1,889	2,001	588
1978	7,302	2,555	2,125	1,957	665
1979	8,658	3,151	2,232	2,470	805
1980	9,899	3,252	2,557	3,184	906
1981	9,839	3,182	2,846	2,871	940
1982	10,089	3,416	2,734	2,995	944
1983	9,015	2,718	2,952	2,328	1,017
1984	9,890	3,245	3,113	2,287	1,245
1985	9,987	3,370	2,892	2,435	1,289
1986	10,209	3,658	3,018	2,195	1,338
1987	10,781	3,976	3,117	2,224	1,464

Source: United States Department of Agriculture, Economic Research Service.

TABLE 21
AGRICULTURAL EMPLOYMENT IN CALIFORNIA, 1972–88

Year and Month	Total Wage and Salary Employment	Agricultural Production	Agricultural Services [a]
1972	268.1	208.3	59.8
1973	288.9	222.4	66.6
1974	308.1	236.9	71.2
1975	315.7	243.7	72.0
1976	323.5	248.2	75.3
1977	314.7	241.7	72.9
1978	323.9	245.1	78.9
1979	338.6	253.6	85.0
1980	352.3	261.9	90.3
1981	354.4	258.6	95.8
1982	358.9	260.7	98.3
1983	347.3	250.3	97.1
1984	347.3	248.6	98.7
1985	335.4	232.7	102.7
1986	327.6	222.0	105.6
1987	345.0	227.2	117.8
1988	360.6	235.5	125.1
1988 January	277.7	187.4	90.3
February	277.6	188.9	88.7
March	294.0	204.4	89.6
April	360.4	236.1	124.3
May	405.2	255.6	149.6
June	436.2	267.3	166.9
July	420.4	266.2	154.2
August	440.3	285.2	155.1
September	466.2	299.6	166.6
October	360.1	239.5	120.6
November	295.9	198.2	97.7
December	294.7	197.5	97.2

[a] Agricultural services includes forestry and fishing, but excludes veterinary, other animal, and landscape and horticultural services.
Source: California Employmen. Development Department (Official U.S. Bureau of Labor Statistics series. The text portion of the report uses the interim series prepared by the Department of Finance.)

TABLE 22

CORPORATE INCOME REPORTED FOR STATE TAXATION, 1960–86

Year [b]	Number of Corporations [a]				Income Reported for State Taxation (in millions)		
	Total	With net income	With net loss	No income or loss	Total	Net income [c]	Net loss [d]
1960	101,081	56,987	28,743	15,351	$3,517	$4,182	$−665
1961	105,645	59,746	31,802	14,097	3,717	4,509	−792
1962	110,294	63,400	31,954	14,940	3,970	4,754	−784
1963	114,667	66,496	33,667	14,504	4,283	5,092	−809
1964	118,860	69,555	34,254	15,051	4,626	5,526	−900
1965	122,399	71,484	35,625	15,290	5,126	6,007	−881
1966	124,690	73,076	35,664	15,950	5,643	6,638	−995
1967	125,677	73,433	38,188	14,056	5,252	6,456	−1,203
1968	128,505	77,238	36,754	14,513	6,003	7,255	−1,251
1969	136,695	80,348	38,627	17,720	5,643	7,477	−1,834
1970	145,352	81,340	44,318	19,694	4,386	6,712	−2,326
1971	151,216	83,664	47,621	19,931	4,804	7,249	−2,445
1972	158,932	91,055	47,214	20,663	6,465	8,561	−2,096
1973	165,676	97,377	46,937	21,362	7,911	10,208	−2,296
1974	172,185	102,680	49,962	19,543	8,978	11,734	−2,757
1975	177,665	106,213	53,965	17,487	8,362	11,672	−3,309
1976	184,326	113,614	54,249	16,463	11,916	14,808	−2,892
1977	200,393	124,175	57,949	18,269	14,941	17,830	−2,889
1978	221,527	138,495	63,725	19,307	18,728	21,974	−3,246
1979	248,188	154,468	72,343	21,377	20,735	24,826	−4,091
1980	275,493	165,183	86,482	23,828	20,654	25,825	−5,171
1981	299,215	172,122	101,398	25,695	16,367	24,214	−7,847
1982	326,264	175,054	120,964	30,246	10,745	22,828	−12,083
1983	337,165	184,408	125,149	27,614	16,485	26,628	−10,143
1984	397,854	208,566	149,831	39,456	19,349	31,742	−12,393
1985	388,244	207,388	139,408	41,448	21,120	34,308	−13,188
1986	414,602	216,677	149,684	48,241	25,457	40,043	−14,585

[a] Includes a slight amount of duplication as a result of mergers, consolidations, changes in corporate names and changes of income year which necessitated filing more than one state franchise tax return during the year. In 1961 this duplication amounted to approximately 205 corporations, or 0.5 percent of the total.

[b] Includes corporations with fiscal years ending in the calendar year shown.

[c] Income of all corporations reporting net income.

[d] Income of all corporations reporting net loss.

Source: California Franchise Tax Board.

TABLE 23

BANK AND CORPORATION FRANCHISE TAX RETURNS REPORTING NET INCOME SUBJECT TO STATE TAXATION, BY INDUSTRY, 1985 AND 1986

(Income in thousands)

Industry	1985 Taxable Year				1986 Taxable Year			
	Corporations reporting net income subject to state taxation		All reporting corporations		Corporations reporting net income subject to state taxation		All reporting corporations	
	Number	Net income	Number	Net income less net loss	Number	Net income	Number	Net income less net loss
Agriculture, Forestry, and Fishery	4,501	$360,509	8,992	−$28,367	4,263	$463,795	8,185	$188,962
Mining	787	$1,667,129	1,746	$1,578,058	881	$641,874	2,733	$232,829
Crude petroleum and natural gas production	532	1,565,613	1,235	1,487,840	529	462,541	1,769	128,148
Other mining and quarrying	255	101,516	511	90,218	352	179,333	964	104,681
Construction	15,961	$1,421,534	30,523	$763,151	17,058	$1,188,306	32,161	$544,824
Manufacturing	21,784	$10,719,968	38,691	$6,953,469	22,848	$13,666,106	43,630	$9,391,228
Beverages, food, and kindred products	1,048	927,795	1,942	700,616	1,283	1,294,089	2,514	940,160
Textile-mill products	52	17,481	393	8,728	235	66,200	369	49,804
Apparel and products made from fabric	1,074	206,119	1,943	116,122	1,303	1,293,294	2,425	1,206,666
Wood products, except furniture	1,306	324,452	1,783	297,284	797	255,288	1,364	205,545
Furniture and fixtures	840	169,878	1,847	45,655	797	149,627	1,391	106,847
Paper and allied products	221	86,888	545	−61,480	477	172,871	969	133,000
Printing, publishing, and allied industries	2,353	663,943	4,384	570,233	2,612	1,259,535	4,918	1,070,527
Chemicals and allied products	1,733	914,387	2,713	651,170	1,262	1,355,604	2,261	1,164,559
Petroleum, coal, and rubber products	499	299,384	658	101,891	1,027	705,196	2,051	192,107
Stone, clay, and glass products	421	159,950	916	150,723	595	333,473	1,069	287,486
Primary metals	383	203,261	490	58,586	303	88,770	560	−44,859
Electrical machinery and equipment	2,557	2,408,919	5,039	883,360	2,723	2,686,161	5,956	1,200,331
Transportation equipment	849	2,224,647	1,740	2,103,299	796	1,843,306	1,608	1,628,612
Other equipment	2,161	402,611	3,223	267,299	1,560	468,461	3,047	241,656
Precision equipment	565	679,563	1,199	634,425	720	295,758	1,511	119,684
Other fabricated metal products	3,782	565,394	5,664	213,416	4,336	844,340	7,305	620,477
Other manufacturing	1,940	465,296	4,212	212,142	2,022	554,133	4,312	268,626
Services	78,600	$3,988,339	145,467	$1,632,576	86,600	$3,976,903	162,721	$1,240,145
Motion picture production	4,597	187,444	7,990	−170,326	3,985	162,473	7,883	−88,200
Amusement services	3,804	173,746	7,283	74,297	3,698	416,992	7,966	231,954
Personal services	1,989	64,036	3,523	44,455	1,960	97,424	4,053	55,526
Business services	27,378	1,235,815	57,070	181,472	17,225	1,069,643	36,113	251,531
Professional services	24,196	342,787	36,171	210,053	28,333	524,910	41,441	313,139
Other services	16,636	1,984,511	33,430	1,292,625	31,399	1,675,461	65,266	576,195
Trade	52,898	$6,908,220	91,894	$4,613,017	46,473	$8,351,688	89,302	$3,676,568
Retail trade	28,025	3,609,819	49,221	2,344,699	24,668	2,929,293	47,508	1,822,799
Wholesale trade	24,873	3,298,401	42,673	2,268,318	21,805	3,422,395	41,794	1,853,769

TABLE 23—Continued

BANK AND CORPORATION FRANCHISE TAX RETURNS REPORTING NET INCOME SUBJECT TO STATE TAXATION, BY INDUSTRY, 1985 AND 1986

(Income in thousands)

Industry	1985 Taxable Year				1986 Taxable Year			
	Corporations reporting net income subject to state taxation		All reporting corporations		Corporations reporting net income subject to state taxation		All reporting corporations	
	Number	Net income	Number	Net income less net loss	Number	Net income	Number	Net income less net loss
Finance, Insurance, and Real Estate	27,496	$4,580,763	58,996	$1,567,911	33,674	$10,560,612	65,860	$7,599,351
Banks	325	676,315	479	373,529	513	1,189,967	887	1,019,331
Savings and loan associations	649	1,117,965	1,334	549,956	991	2,065,698	1,981	1,259,117
Real estate companies	18,135	1,462,781	40,631	−115,224	24,745	3,986,921	47,798	2,696,559
Investment and insurance companies	8,387	1,323,702	16,552	759,650	7,425	3,318,026	15,194	2,624,344
Utilities	5,361	$4,661,951	11,935	$4,039,984	4,880	$3,193,225	10,010	$2,483,304
Transportation	4,123	765,031	8,080	343,591	3,221	526,247	6,157	140,261
Communications	362	1,622,108	619	1,597,868	158	235,563	417	165,619
Radio and television industries	170	124,606	1,010	7,238	243	210,728	628	85,891
Electric and gas utilities	6	1,931,956	109	1,891,297	261	2,073,599	510	2,034,089
Other public utilities	700	218,250	2,117	199,990	997	147,088	2,298	57,644
Total	207,388	$34,308,413	388,244	$21,119,799	216,677	$40,042,509	414,602	$25,457,211

Source: California Franchise Tax Board.

TABLE 24
CALIFORNIA BUILDING PERMIT ACTIVITY: NONRESIDENTIAL VALUATION BY SELECTED TYPES OF CONSTRUCTION, 1963–88
(in thousands of dollars)

Year	Commercial	Industrial	Other	Additions and alterations	Total [b]
1963	734,878	198,932	707,507	280,024	1,922,338
1964	749,998	184,849	805,449	261,022	2,001,317
1965	845,483	207,844	656,461	286,488	1,996,275
1966	829,974	255,348	706,425	307,759	2,099,504
1967	728,496	283,612	601,256	268,139	1,881,503
1968	869,419	367,027	651,423	271,259	2,159,126
1969	1,016,925	395,697	666,768	452,097	2,531,490
1970	1,089,054	288,077	674,969	491,669	2,543,764
1971	1,401,364	326,049	978,580	263,473	2,969,469
1972	1,437,511	464,702	865,306	281,118	3,048,634
1973	1,349,105	717,549	826,827	337,156	3,230,637
1974	1,260,018	736,532	902,675	359,502	3,258,723
1975	1,296,132	491,032	952,261	366,794	3,106,221
1976	1,327,749	629,515	1,067,335	443,049	3,467,649
1977	1,890,490	1,093,685	1,229,912	498,550	4,712,638
1978	2,477,474	1,556,132	1,318,691	606,069	5,958,365
1979	3,377,019	1,812,478	1,383,480	721,923	7,294,901
1980 [a]	3,274,077	1,276,735	1,202,941	1,716,358	7,470,107
1981	4,034,262	1,484,012	1,308,222	2,079,349	8,905,843
1982	4,176,487	1,051,366	1,401,367	2,100,651	8,729,875
1983	4,456,644	1,312,567	1,478,114	2,663,477	9,910,801
1984	5,644,100	2,020,400	1,560,600	2,743,500	11,968,600
1985	6,235,954	1,956,566	1,800,293	3,324,965	13,317,778
1986	5,742,452	2,134,394	1,887,069	3,401,499	13,165,415
1987	5,565,678	1,767,106	1,396,049	3,530,712	12,259,547
1988	6,199,153	1,712,606	1,495,743	3,968,195	13,375,697

[a] Prior to 1980 all additions and alterations of $100,000 or over were recorded as new construction in either the commercial, industrial or other category.
[b] Parts may not add to total due to rounding.
Source: U.S. Department of Commerce, Bureau of the Census.
Security Pacific National Bank through 1986

TABLE 25
RESIDENTIAL HOUSING UNITS AUTHORIZED BY PERMITS, CALIFORNIA, 1963–88

Year	Single	Multiple	Total	Additions and Alterations Valuation (Millions)	Total Residential Valuation (Millions)
1963	131,544	190,472	322,016	$264	$4,066
1964	112,977	155,430	268,407	285	3,742
1965	95,156	82,426	177,582	280	2,910
1966	65,405	33,967	99,372	259	1,926
1967	68,417	43,575	111,992	260	2,108
1968	86,957	73,022	159,979	268	2,838
1969	80,134	104,211	184,345	267	3,148
1970	71,344	124,348	195,692	271	3,177
1971	113,260	143,729	256,989	303	4,529
1972	124,064	155,606	279,670	330	5,390
1973	102,571	113,508	216,079	350	4,883
1974	76,204	53,025	129,229	434	3,687
1975	89,823	41,909	131,732	529	4,541
1976	140,293	81,647	221,940	659	8,023
1977	174,874	95,766	270,640	840	10,494
1978	141,537	102,268	243,805	947	10,604
1979	127,499	82,577	210,076	1,103	10,791
1980	86,632	58,355	144,987	1,234	9,096
1981	59,973	44,900	104,873	1,235	7,520
1982	49,852	34,521	84,373	1,242	6,179
1983	99,299	69,059	168,358	1,493	11,511
1984	107,346	110,661	218,007	1,567	14,514
1985	109,809	153,873	263,682	1,683	17,599
1986	143,013	159,921	302,934	1,870	22,319
1987	133,289	115,406	248,695	2,085	21,268
1988	160,519	92,001	252,520	2,406	25,453

Source: U.S. Department of Commerce, Bureau of the Census
Security Pacific National Bank through 1986.

TABLE 26

TAXABLE TRANSACTIONS IN CALIFORNIA AND OUTSTANDING SALES TAX PERMITS, BY TYPE OF OUTLET, 1960–1988

Calendar Year	Taxable Transactions		Sales Tax Permits Outstanding [a]			
	All Outlets (In millions)	Retail Stores (In millions)	Total	Retail [b] Stores	Personal Service Shops	Other [c]
1960	$23,361	$15,645	346,706	150,512	58,997	137,197
1961	23,987	16,077	351,540	148,899	59,516	143,125
1962	25,969	17,522	355,403	151,769	57,591	146,043
1963	27,892	18,893	362,614	154,517	57,105	150,992
1964	30,265	20,550	372,387	157,344	56,749	158,294
1965	31,908	21,516	381,203	161,109	56,002	164,092
1966	34,236	22,624	389,867	163,087	55,326	171,454
1967	35,122	23,512	392,705	163,821	54,624	174,260
1968	39,007	26,168	401,980	165,285	54,993	181,702
1969	42,378	28,254	411,375	167,887	55,066	188,422
1970	43,223	28,699	426,766	171,094	56,173	199,499
1971	46,815	31,496	440,935	173,343	57,359	210,233
1972	53,714	36,518	459,616	177,261	58,815	233,540
1973	61,738	42,119	474,733	180,330	59,943	234,460
1974	68,071	45,797	492,937	182,570	60,918	249,449
1975	73,476	49,800	520,499	187,399	62,951	270,149
1976	83,822	57,343	552,162	193,925	65,868	292,369
1977	99,482	67,491	583,704	200,452	69,271	313,981
1978	113,468	76,366	611,397	206,951	72,003	332,443
1979	131,678	87,270	642,152	212,804	75,185	354,163
1980	142,759	94,211	673,679	218,945	78,272	376,462
1981	155,127	101,666	698,080	223,201	79,952	394,927
1982	154,553	102,009	740,577	230,023	83,223	427,331
1983	169,413	113,350	764,815	233,522	85,697	445,596
1984	194,014	126,736	783,718	240,108	88,839	454,771
1985	208,574	135,901	808,549	246,873	92,465	469,206
1986	217,465	141,880	841,630	258,248	96,886	486,496
1987	231,870	150,252	867,132	271,330	100,689	495,113
1988	251,078	162,517	880,216	281,218	103,748	495,250

[a] Permits as of July 1.
[b] Exclusive of itinerant and mail-order vendors.
[c] Consists of manufacturing, wholesaling, contracting, and miscellaneous outlets and itinerant and mail-order vendors.
n.a. Not available.
Source: California State Board of Equalization.

TABLE 27
TAXABLE TRANSACTIONS IN CALIFORNIA BY TYPE OF BUSINESS, 1983–88
(Amounts in millions)

	1983	1984	1985	1986 [d]	1987 [d]	1988 [d]
Total, all outlets	$169,413	$194,014	$208,574	$217,465	$231,870	$251,078
Retail stores	113,350	126,736	135,901	141,880	150,252	162,517
Apparel stores	5,565	6,107	6,532	7,089	7,694	8,676
General merchandise and drug stores [a]	18,222	20,277	21,867	23,099	25,637	27,238
Specialty stores	12,813	14,642	15,636	16,298	18,321	20,270
Grocery stores [b]	11,018	11,832	12,490	12,810	12,483	13,005
Liquor stores	1,962	1,936	1,892	1,894	2,089	2,027
Eating and drinking places	14,533	16,038	17,221	18,182	19,538	20,920
Home furnishings and appliance stores	5,467	6,238	6,676	7,280	7,909	8,690
Farm and garden	2,239	2,504	2,545	2,649	2,863	3,223
Building materials	6,941	8,191	9,084	10,265	11,148	12,670
New car dealers	15,936	19,272	21,743	24,256	23,393	25,342
Automotive group [c]	18,654	19,699	20,215	18,058	19,178	20,456
Other						
Business and personal services	6,851	7,981	8,807	9,520	10,628	11,574
All other outlets	49,212	59,296	63,866	66,066	70,990	76,987

[a] Excludes exempt sales of prescription medicines.
[b] Excludes exempt sales of food for home consumption.
[c] Excludes new car dealers.
[d] Numbers independently rounded.
Source: California Board of Equalization.

TABLE 28
DEMAND AND TIME DEPOSITS, ALL INSURED COMMERCIAL BANKS, CALIFORNIA, 1960–88
(Amounts in millions)

Year [a]	Demand Deposits	Time and Savings Deposits
1960	$12,954	$11,385
1961	14,232	12,851
1962	14,426	14,593
1963	14,939	16,042
1964	15,683	17,083
1965	15,232	20,109
1966	15,671	21,614
1967	17,492	23,762
1968	19,003	26,418
1969	19,989	23,513
1970	20,713	28,636
1971	22,463	33,699
1972	26,607	37,461
1973	28,060	42,789
1974	27,916	51,268
1975	30,682	54,635
1976	32,119	56,775
1977	37,516	63,494
1978	40,897	72,462
1979	44,951	77,008
1980	44,976	92,361
1981	42,675	109,633
1982	40,531	124,743
1983	45,544	133,137
1984	47,962	135,696
1985	54,447	139,015
1986	66,417	140,041
1987	55,652	141,762
1988 [p]	59,979	149,687

[a] As of December call reports, not seasonally adjusted.
[p] Preliminary.
Source: Federal Reserve Bank of San Francisco.

TABLE 29
GROSS LOANS BY MAJOR CATEGORIES, ALL INSURED COMMERCIAL BANKS, CALIFORNIA, 1960–88
(Amounts in millions)

Year [a]	Real estate loans	Commercial and industrial loans	Agricultural loans	Loans to individuals	Other	Total
1960	$5,181	$4,762	$509	$2,648	$1,223	$14,323
1961	5,358	5,122	592	2,769	1,313	15,154
1962	6,153	5,668	636	3,151	1,697	17,305
1963	7,027	6,009	716	3,634	2,376	19,762
1964	7,512	7,081	659	4,208	2,594	22,056
1965	7,974	8,284	748	4,686	2,661	24,353
1966	8,268	9,318	776	4,924	2,665	25,951
1967	8,485	10,112	803	5,126	2,697	27,223
1968	9,230	11,631	823	5,793	3,447	30,924
1969	9,545	12,276	866	6,045	3,706	32,439
1970	9,592	12,965	855	5,903	3,147	32,463
1971	10,871	13,682	990	6,659	4,193	36,395
1972	12,784	15,145	1,255	7,808	6,034	43,027
1973	15,607	18,831	1,559	8,846	7,056	51,899
1974	17,063	21,334	1,584	9,363	7,589	56,934
1975	16,724	20,156	1,614	10,023	7,121	55,637
1976	18,433	19,473	1,860	11,609	8,136	59,511
1977	23,648	21,635	2,019	14,637	8,470	70,409
1978	30,820	25,355	2,292	18,206	9,185	85,858
1979	39,088	30,260	2,655	22,080	8,741	102,824
1980	46,504	33,895	2,848	22,049	8,069	113,365
1981	52,291	39,502	3,345	21,982	11,780	128,900
1982	53,674	46,275	3,763	22,034	15,123	140,876
1983	54,448	48,845	4,136	23,900	18,140	149,469
1984	57,728	49,011	3,935	28,814	14,946	154,434
1985	61,302	49,297	3,377	33,455	16,768	164,499
1986	63,766	53,538	2,685	32,451	16,615	169,055
1987	69,293	50,237	2,475	30,519	13,111	165,635
1988 [p]	78,633	50,521	2,680	30,541	13,784	176,159

Note: Individual figures may not add to totals due to rounding.
[a] As of December call reports except as noted.
[p] Preliminary.
Source: Federal Reserve Bank of San Francisco.

TABLE 30
LOANS AND SAVINGS CAPITAL, CALIFORNIA SAVINGS AND LOAN ASSOCIATIONS,[a] 1960–88
(In millions)

Year	Mortgage Loans Closed During the Year	End of Year Mortgage Loans Outstanding	End of Year Savings Capital	Net New Savings During the Year[b]
1960	$2,955	$9,141	$8,885	n/a
1961	4,147	11,241	10,778	n/a
1962	5,590	13,941	13,339	n/a
1963	7,691	17,677	16,536	n/a
1964	7,137	20,529	19,300	n/a
1965	5,825	22,176	20,993	n/a
1966	2,953	22,477	21,215	$−610
1967	3,641	23,558	23,469	1,360
1968	3,914	25,154	24,283	−122
1969	3,845	26,780	23,889	−1,395
1970	3,517	28,250	25,040	115
1971	6,576	31,907	30,054	3,776
1972	8,809	37,199	35,660	4,114
1973	7,735	41,113	37,836	476
1974	6,413	43,758	39,359	−349
1975	10,689	49,100	47,147	5,565
1976	17,903	58,553	57,102	7,218
1977	24,888	70,734	66,918	6,480
1978	24,391	80,765	74,896	4,180
1979	25,574	92,512	84,166	4,814
1980	16,074	98,196	89,693	106
1981	10,504	107,866	96,163[c]	−5,815
1982	14,082	105,927	108,712[c]	1,281
1983	42,594	132,297	147,857[c]	29,205
1984	54,120	166,477	188,761[c]	28,457
1984	56,024[d]	159,562[e]	189,788[c]	28,355
1985	56,444[d]	173,076[e]	199,907[c]	−4,056
1986	84,949[d]	183,485[e]	218,132[c]	6,062
1987	91,422[d]	203,723[e]	239,780[c]	9,824
1988[p]	100,459[d]	238,496[e]	258,726[c]	3,607

[a] Insured (FSLIC) California savings institutions that are members of the Federal Home Loan Bank of San Francisco. For the periods covered by this table, these institutions have accounted for at least 99.5% of California savings institution assets. Since 1976 all California institutions are included.
[b] New savings received less withdrawals excludes interest credited to savings accounts.
[c] Includes data from branch offices outside of California.
[d] Not comparable to data reported through 1984, due to a change in reporting. When a loan is refinanced at the same institution that held the original loan, the total amount of the refinanced loan is reported. Formerly, only the net amount of additional financing was included.
[e] Not comparable to data reported through 1984 due to a change in reporting. Includes certain government-insured mortgages that were formerly excluded and excludes loans in process that were formerly included.
[p] Preliminary.
Source: Federal Home Loan Bank of San Francisco.

TABLE 31
SELECTED DATA ON FEDERALLY CHARTERED CREDIT UNIONS IN CALIFORNIA, 1960–87 [a]
(Dollar amounts in thousands)

Year [b]	Number of credit unions	Number of members	Total assets	Shares	Total loans outstanding
1960	1014	787,450	$383,723	$340,165	$313,245
1961	1056	852,214	441,302	393,828	347,402
1962	1081	927,654	511,824	453,316	409,969
1963	1106	1,015,808	601,294	533,445	473,297
1964	1128	1,102,380	699,250	618,385	550,150
1965	1142	1,192,932	785,707	693,993	636,454
1966	1185	1,309,746	861,285	753,300	718,046
1967	1209	1,407,640	946,456	834,393	768,772
1968	1225	1,492,051	1,055,097	923,136	883,881
1969	1255	1,585,602	1,191,712	1,034,749	1,024,828
1970	1249	1,181,164	1,360,754	1,181,164	1,109,716
1971	1225	1,746,653	1,626,494	1,436,952	1,267,686
1972	1232	1,871,287	1,928,350	1,715,276	1,471,791
1973	1239	2,045,500	2,272,202	1,987,138	1,758,048
1974	1230	2,282,543	2,737,187	2,367,268	2,106,113
1975	1208	2,445,115	3,403,739	2,994,889	2,498,061
1976	1189	2,683,441	4,185,397	3,668,616	3,150,913
1977	1164	2,995,904	5,374,256	4,613,661	4,115,205
1978	1143	3,421,378	6,374,125	5,408,209	5,110,916
1979	1108	3,682,794	6,616,630	5,737,523	4,994,833
1980	1057	3,968,900	6,950,809	6,286,440	4,410,825
1981	980	4,159,003	6,826,930	6,158,178	4,365,916
1982	906	4,446,793	7,275,638	6,631,732	4,420,910
1983	850	3,975,086	8,684,128	7,999,116	5,202,513
1984	814	3,990,110	10,847,424	9,533,799	6,448,805
1985	790	5,967,495	16,205,219	15,214,141	10,499,988
1986	766	4,307,160	15,211,422	14,011,223	8,889,415
1987 [c]	742	—	17,102,244	15,682,029	10,666,409

[a] Regulated by the National Credit Union Administration.
[b] As of December 31st.
[c] Due to a change in reporting procedures, State data on the number of members are no longer available.
Source: California Department of Corporations.

TABLE 32
SELECTED DATA ON STATE CHARTERED CREDIT UNIONS IN CALIFORNIA, 1960–87
(Dollar amounts in thousands)

Year [a]	Number of credit unions	Number of members	Total assets	Shares	Total loans outstanding	Real estate loans outstanding
1960	568	573,548	$304,885	$263,793	$266,374	$41,676
1961	573	630,121	350,725	308,711	296,058	44,724
1962	578	675,287	396,343	343,890	340,125	47,736
1963	582	709,911	448,963	394,587	382,766	44,573
1964	597	788,816	513,302	449,214	437,040	53,971
1965	587	828,389	577,007	496,601	500,689	54,874
1966	623	889,636	639,154	549,351	568,782	64,561
1967	636	955,166	712,321	617,575	613,189	64,600
1968	626	1,006,190	795,758	684,727	696,891	83,837
1969	623	1,077,259	891,033	772,482	788,420	94,154
1970	631	1,139,372	998,764	868,721	858,839	101,161
1971	599	1,182,550	1,152,210	1,004,478	976,271	102,925
1972	590	1,248,463	1,330,711	1,160,215	1,105,569	110,489
1973	596	1,296,105	1,511,003	1,316,539	1,287,143	146,789
1974	591	1,312,193	1,615,949	1,420,664	1,396,985	185,955
1975	587	1,341,288	1,935,507	1,710,369	1,621,089	224,553
1976	576	1,503,437	2,232,994	2,057,351	1,991,402	297,474
1977	556	1,601,603	2,851,789	2,504,181	2,453,162	408,251
1978	534	1,678,279	3,261,776	2,842,131	2,903,915	607,752
1979	493	1,825,160	3,535,214	2,877,833	3,065,665	598,067
1980	478	1,973,513	3,798,533	3,189,679	2,977,642	615,902
1981	450	1,975,104	3,794,317	3,221,836	3,011,722	655,907
1982	417	1,921,032	3,788,929	3,351,392	2,710,921	607,421
1983	397	2,040,746	4,761,669	4,258,249	3,286,583	650,527
1984	376	2,010,832	5,439,894	4,885,542	4,088,618	855,287
1985	360	2,074,771	6,384,522	5,854,804	4,568,946	983,565
1986	345	2,122,970	7,699,129	7,094,187	5,247,434	1,374,204
1987	326	2,137,891	8,108,128	7,439,497	5,764,121	1,844,562

[a] As of December 31st.
Source: California Department of Corporations. Report of State Chartered Credit Unions.

TABLE 33

SELECTED DATA ON FINANCE COMPANIES IN CALIFORNIA, 1971–87 [a]

(Dollar amounts in thousands)

Year [b]	Number of loans made	Total principal amount of loans made	Consumer loans under $10,000 and commercial loans under $5,000		Consumer loans of $10,000 or more and commercial loans of $5,000 or more
			Secured by personal property	Secured by personal property and real property	
1971	1,170,013	$1,897,472	$1,153,541	$54,150	$689,781
1972	1,210,311	1,973,792	1,268,113	62,418	643,261
1973	1,202,884	2,424,236	1,344,871	90,028	989,337
1974	1,024,276	2,403,516	1,212,864	111,590	1,079,062
1975	883,047	2,234,827	1,114,707	156,257	963,863
1976	995,459	2,756,599	1,287,307	212,665	1,256,627
1977	1,073,690	3,047,796	1,393,534	224,676	1,429,586
1978	1,141,163	3,562,541	1,530,849	189,625	1,842,064
1979	1,097,742	5,265,756	1,408,269	182,030	3,675,457
1980	644,632	3,925,512	857,357	187,819	2,880,336
1981	424,672	4,754,757	532,610	203,507	4,018,640
1982	372,192	4,034,562	556,396	125,110	3,353,056
1983	462,319	5,946,563	790,603	104,839	5,051,121

	Number of loans made	Total principal amount of loans made	Consumer and commercial loans over $5,000		Consumer loans under $5,000
			Secured by personal property	Secured by personal property and/or real property	
1984 [c]	713,094	$9,871,291	$5,403,132	$3,388,735	$1,079,424
1985	939,829	10,772,085	2,749,887	7,319,781	1,253,371
1986	806,792	15,946,053	6,460,085	8,450,462	1,144,000
1987	958,181	26,452,306	8,024,683	17,104,574	1,323,049

[a] Finance companies are licensed under the Personal Property Brokers Law, the Consumer Finance Lender Law, and/or the Commercial Finance Lenders Law.

[b] Data refers to loans made during each year.

[c] In 1984 the categories for reporting loans changed due to changes in regulations about types of security.

Source: California Department of Corporations, Annual Reports for California Consumer Finance Laws.

TABLE 34

SELECTED DATA ON INDUSTRIAL LOAN COMPANIES IN CALIFORNIA, 1971–87 [a]

(Dollar amounts in thousands)

Year	Total asset [b]	Investment certificates [c]	Consumer loans		Commercial loans		Premium finance agencies	
			Number of loans made [c]	Principal amount of loans made [c]	Number of loans made [c]	Principal amount of loans made [c]	Number of loans made [c]	Principal amount of loans made [c]
1971	$456,632	$307,393	170,330	$328,597 [d]	—	—	75,242	$66,540
1972	523,969	344,209	199,737	381,595 [d]	—	—	78,681	75,623
1973	542,939	381,150	189,278	358,728 [d]	—	—	79,893	80,971
1974	560,343	420,069	179,473	351,119	1,359	$17,987	81,645	86,655
1975	613,119	475,922	166,339	361,887	1,453	20,651	79,804	107,310
1976	687,399	537,212	202,104	428,453	25,467 [e]	106,897	19,057	43,303
1977	772,406	608,832	209,259	451,880	28,277	144,528	14,206	48,853
1978	875,926	678,918	209,884	509,688	30,320	175,828	17,849	63,160
1979	1,007,766	766,963	197,740	549,796	33,894	185,920	18,822	74,328
1980	1,120,406	857,038	155,747	448,205	39,367	231,007	22,521	85,678
1981	1,262,858	963,275	97,141	377,766	4,214 [f]	119,556	29,884	100,693
1982	1,630,687	1,266,241	114,501	513,202	4,020	165,059	22,964	101,072
1983	2,035,330	1,621,750	140,240	609,720	4,421	207,448	26,399	98,180
1984	2,325,240	1,896,856	94,777	558,190	4,612	223,684	21,843	110,495
1985	2,508,680	2,032,165	103,964	562,957	7,347	274,318	28,582	305,328
1986	2,677,784	2,172,610	107,620	651,828	3,046	210,821	29,669	420,856
1987	2,997,975	2,426,423	152,471	935,363	3,353	296,311	91,310	1,010,116

[a] Industrial loan companies are licensed lenders who are exempt from the usury law and who make unsecured and secured loans. This schedule does not include mortgage bankers licensed under the Industrial Loan Law.

[b] As of December 31st. Total assets restated to include thrift companies, non-thrift companies and premium finance agencies.

[c] Data refers to loans made during each year.

[d] Includes commercial loans.

[e] Insurance premium finance company was reclassified as a thrift.

[f] Loans secured by insurance premiums were removed from non-consumer loans and reclassified.

Source: California Department of Corporation, Annual Reports for California Consumer Finance Laws.

TABLE 35
SUMMARY OF STATE TAX COLLECTIONS, 1960–61 TO 1989–90
(Excluding departmental, interest and miscellaneous revenue)

Fiscal year	State tax collections			Taxes per capita [a]			Taxes per $100 of personal income [b]		
	General fund (thousands)	Special funds (thousands)	Total (thousands)	General fund	Special funds	Total	General fund	Special funds	Total
Cash basis									
1960–61	$1,537,347	$656,815	$2,194,162	$96.91	$41.41	$138.32	$3.48	$1.49	$4.96
1961–62	1,645,300	669,267	2,314,567	100.25	40.78	141.03	3.51	1.43	4.94
1962–63	1,791,038	711,185	2,502,223	105.66	41.96	147.62	3.54	1.41	4.95
1963–64	2,057,962	813,937	2,871,900	117.40	46.43	163.83	3.80	1.50	5.31
1964–65	2,161,157	931,958	3,093,115	119.89	51.70	171.59	3.68	1.59	5.27
1965–66	2,398,958	971,625	3,370,582	129.93	52.62	182.55	3.82	1.55	5.37
1966–67	2,422,275	993,277	3,415,552	128.63	52.75	181.38	3.55	1.45	5.00
Accrual basis [c]									
1966–67	2,746,888	1,091,387	3,838,275	145.87	57.96	203.83	4.02	1.60	5.62
1967–68	3,557,610	1,118,311	4,675,921	185.55	58.31	243.86	4.83	1.52	6.35
1968–69	3,962,520	1,210,229	5,172,748	203.94	62.27	266.21	4.90	1.50	6.40
1969–70	4,125,607	1,283,258	5,408,865	208.96	64.98	273.94	4.66	1.45	6.11
1970–71	4,290,263	1,308,350	5,598,613	214.08	65.33	279.41	4.51	1.38	5.89
1971–72	5,212,693	1,385,863	6,598,555	256.22	68.12	324.34	5.17	1.37	6.54
1972–73	5,758,266	1,470,905	7,229,171	279.72	71.46	351.18	5.22	1.33	6.55
1973–74	6,379,476	1,497,588	7,877,064	305.67	71.78	377.45	5.24	1.23	6.47
1974–75	8,045,039	1,529,459	9,574,497	379.95	72.21	452.16	5.91	1.12	7.03
1975–76	9,068,903	1,641,174	10,710,077	421.07	76.19	497.26	6.06	1.09	7.15
1976–77	10,780,867	1,744,013	12,524,880	491.48	79.50	570.98	6.43	1.04	7.47
1977–78	12,951,613	1,874,714	14,826,327	579.46	83.84	663.30	6.92	1.00	7.92
1978–79	14,187,549	2,013,879	16,201,427	621.30	88.15	709.45	6.60	0.94	7.54
1979–80	16,860,019	2,197,397	19,057,417	724.94	94.47	819.41	6.89	0.89	7.78
1980–81	17,808,092	2,191,849	19,999,941	748.86	92.18	841.04	6.45	0.80	7.25
1981–82	19,109,448	2,446,637	21,556,085	787.45	100.83	888.28	6.19	0.79	6.98
1982–83	19,578,803	2,796,214	22,375,017	789.92	112.81	902.73	5.97	0.85	6.82
1983–84	22,308,528	3,376,907	25,685,435	881.47	133.39	1,014.86	6.33	0.96	7.29
1984–85	25,514,709	3,522,886	29,037,595	989.72	136.66	1,126.38	6.56	0.90	7.46
1985–86	26,981,981	3,933,876	30,915,857	1,023.67	149.26	1,172.93	6.39	0.93	7.32
1986–87	31,330,525	4,036,980	35,367,505	1,160.36	149.52	1,309.88	6.91	0.89	7.80
1987–88	31,231,293	4,384,836	35,616,129	1,128.98	158.52	1,287.50	6.34	0.88	7.22
1988–89 [d]	34,646,000	4,970,958	39,616,958	1,224.28	175.66	1,399.94	6.54	0.94	7.48
1989–90 [d]	37,380,000	5,556,658	42,936,658	1,293.56	192.30	1,485.86	6.57	0.98	7.55

[a] Per Capita computations are based on July 1 populations estimates.
[b] Taxes per $100 personal income computed using calendar year personal income e.g. 1967 income related to 1967–68 tax collections.
[c] Beginning in 1966–67 most state revenues were placed on an accrual basis. Beginning in 1973–74, accounts receivable only are accrued.
[d] Estimated.
Data may not add due to rounding.
Source: California Department of Finance.

TABLE 36
COMPARATIVE YIELD OF STATE TAXES, 1960–61 TO 1989–90
(In thousands)

Fiscal year	Sales and Use	Personal Income	Bank and Corporation [a]	Tobacco [b]	Inheritance and Gift [c]	Insurance [d]	Alcoholic Beverages	Horse Racing	Motor Vehicle Fuel [e]	Motor Vehicle Fees [f]
Cash basis										
1960–61	$711,702	$269,103	$272,718	$66,024	$76,803	$66,745	$50,978	$37,260	$350,801	$264,842
1961–62	749,523	299,034	290,870	66,054	76,012	71,699	55,913	38,311	363,771	274,906
1962–63	813,465	322,012	311,251	70,194	92,432	77,970	58,811	41,663	386,215	298,356
1963–64	876,944	392,341	405,431	71,822	102,195	107,200	61,444	43,442	450,195	329,584
1964–65	939,649	410,109	416,247	74,477	114,464	95,199	66,337	47,560	542,822	353,607
1965–66	1,096,162	454,625	435,597	74,578	123,781	100,854	69,324	47,443	551,108	382,656
1966–67	1,053,249	500,086	453,292	75,597	114,413	107,186	73,315	49,311	548,287	405,061
Accrual basis [g]										
1966–67	1,190,750	626,697	453,292	78,191	141,899	131,226	79,697	49,311	643,698	405,061
1967–68	1,464,927	952,487	576,874	219,272	135,554	121,155	94,896	54,799	581,127	437,918
1968–69	1,652,979	1,101,691	592,303	237,328	158,815	130,312	99,612	59,839	625,667	469,655
1969–70	1,753,611	1,152,053	587,013	236,878	164,299	136,733	105,908	58,244	668,537	498,992
1970–71	1,808,052	1,264,383	532,091	239,721	185,699	158,423	106,556	64,601	674,635	513,202
1971–72	2,015,993	1,785,618	662,522	247,424	220,192	170,179	112,091	69,380	712,426	547,845
1972–73	2,198,523	1,884,058	866,117	253,602	260,119	179,674	114,884	72,693	746,196	596,922
1973–74	2,675,738	1,829,385	1,057,191	258,921	231,934	201,697	119,312	78,289	742,702	644,448
1974–75	3,376,078	2,579,676	1,253,673	261,975	242,627	202,991	120,749	86,637	752,234	664,453
1975–76	3,742,524	3,086,611	1,286,515	268,610	316,648	241,224	125,313	96,117	766,555	749,936
1976–77	4,314,201	3,761,356	1,641,500	269,384	367,964	322,476	127,485	102,702	810,321	807,782
1977–78	5,030,438	4,667,887	2,082,208	273,658	365,092	387,560	132,060	111,591	850,181	924,410
1978–79	5,780,919	4,761,571	2,381,223	268,816	416,955	420,184	140,059	112,856	896,591	1,021,856
1979–80	6,623,521	6,506,015	2,510,039	290,043	465,611	446,228	138,940	127,002	852,752	1,096,640
1980–81	7,131,429	6,628,694	2,730,624	278,161	530,185	460,926	142,860	129,779	839,994	1,127,293
1981–82	7,689,023	7,483,007	2,648,735	267,824	482,300	454,984	139,523	119,626	833,446	1,373,354
1982–83	7,795,488	7,701,099	2,536,011	271,621	517,875	736,929	136,209	120,159	928,633	1,614,993
1983–84	8,797,865	9,290,279	3,231,281	263,231	236,452	457,490	137,433	141,001	1,213,167	1,906,290
1984–85	9,797,564	10,807,706	3,664,593	262,868	296,805	643,139	135,786	133,814	1,159,637	2,137,326
1985–86	10,317,930	11,413,040	3,843,024	258,141	252,810	839,939	132,262	131,592	1,194,172	2,515,295
1986–87	10,904,022	13,924,527	4,800,843	255,076	273,089	1,008,804	131,288	131,733	1,245,881	2,692,835
1987–88	11,650,531	12,947,185	4,776,388	250,572	304,148	1,158,321	128,734	146,403	1,279,732	2,974,115
1988–89 [h]	12,593,000	14,728,100	5,225,000	545,000	376,000	1,411,000	127,000	148,000	1,303,850	3,160,008
1989–90 [h]	13,448,000	16,363,100	5,585,000	863,000	421,000	1,279,000	126,000	160,000	1,329,850	3,361,708

[a] Includes the corporation income tax.
[b] Proposition 99, of 1988, increased the cigarette tax to $0.35 per pack and added an equivalent tax to other tobacco products.
[c] Proposition 6, of 1982, repealed the inheritance and gift taxes and imposed an estate tax equal to the maximum allowable Federal estate tax credit effective for decedents dying on or after June 8, 1982.
[d] The conclusion of litigation resulted in additional revenue of $51 million in 1987–88, and is estimated to result in an additional $208 million in 1988–89.
[e] Motor vehicle fuel tax (gasoline), use fuel tax (diesel) and liquefied petroleum gas.
[f] Registration and weight fees, motor vehicle license fees and other fees.
[g] Beginning in 1966–67 most state revenues were placed on an accrual basis. Beginning with 1973–74, accounts receivable only are accrued.
[h] Estimated.
Source: California Department of Finance.

TABLE 37

ASSESSED VALUE OF TANGIBLE PROPERTY, TANGIBLE PROPERTY TAX LEVIES AND AVERAGE TAX RATE IN CALIFORNIA, 1960–61 to 1988–89

Year	Assessed value [b]		Tax levies [a]		Average tax rate	
	Amount (in thousands)	Percent change from preceding year	Amount (in thousands)	Percent change from preceding year	Dollars per $100 assessed value	Percent change from preceding year
1960–61	29,600,832	7.9	2,195,588	10.3	7.42	2.2
1961–62	31,549,630	6.6	2,414,617	10.0	7.65	3.1
1962–63	33,326,914	5.6	2,606,131	7.9	7.82	2.2
1963–64	35,066,088	5.2	2,805,152	7.6	8.00	2.3
1964–65	36,743,364	4.8	3,057,579	9.0	8.32	4.0
1965–66	39,464,013	7.4	3,367,736	10.1	8.53	2.5
1966–67	42,522,365	7.7	3,758,481	11.7	8.84	3.6
1967–68	46,186,881	8.6	4,110,742	9.3	8.90	0.7
1968–69	48,653,400	5.3	4,569,986	11.2	9.39	5.5
1969–70	52,115,409	7.1	4,935,475	8.0	9.92	5.6
1970–71	55,580,735	6.6	5,721,672	15.9	10.86	9.4
1971–72	58,785,243	5.8	6,372,331	11.5	11.43	5.3
1972–73	62,790,656	6.8	6,819,609	7.0	11.44	0.1
1973–74	67,277,649	7.1	6,647,769	−2.5	11.15	−2.5
1974–75	74,298,823	10.4	7,383,411	11.0	11.24	0.8
1975–76	82,691,658	11.3	8,304,125	12.5	11.33	0.8
1976–77	93,716,623	13.3	9,376,391	12.9	11.20	−1.2
1977–78	106,694,452	13.8	10,276,725	9.7	10.68	−4.6
1978–79 [c]	116,736,826	9.4	5,635,715	−45.2	5.37	−49.7
1979–80	132,820,831	13.8	5,661,081	0.4	4.69	−1.5
1980–81	144,739,438	17.9 [d]	6,360,276	12.4	4.63	−1.3
1981–82	657,927,501 [e]	13.6 [e]	7,185,005	13.0	1.144	−1.2
1982–83	737,111,920	12.0	8,007,037	11.4	1.131	−1.1
1983–84	797,370,474	8.2	8,634,771	7.8	1.126	−0.4
1984–85	878,738,713	10.2	9,437,483	9.3	1.113	−1.2
1985–86	968,620,180	10.2	10,274,050	8.9	1.096	−1.5
1986–87	1,058,686,538	9.3	11,125,581	8.3	1.083	−1.2
1987–88	1,165,057,481	10.0	12,203,544	9.7	1.078	−0.5
1988–89	1,275,516,366	9.5	n/a	n/a	n/a	n/a

[a] Excludes reimbursements to local government for homeowners' exemption and business inventory exemption.

[b] Includes the homeowners' exemption ($750 of assessed value from 1969–70 to 1972–73; $1,750 from 1973–74 to 1980–81; and $7,000 beginning in 1981–82). For 1985–86, the homeowners' exemption accounted for $30,208,543 of assessed value. The business inventory exemption (15% of assessed value in 1969–70; 30% during 1970–71 to 1972–73; 45% in 1973–74; and 50% from 1974–75 to 1979–80) was also included until 1980–81. Beginning in 1980–81, business inventories became totally exempt and were no longer enrolled.

[c] The revised amount of taxes includes unsecured levies based on the 1977–78 tax rate on secured property. Some counties did not levy at these rates until a 1980 California Supreme Court decision clarified the proper 1978–79 tax rate applicable to unsecured property.

[d] Business inventories became totally exempt effective on the 1980–81 property tax rolls. The 1980–81 percent change from the preceding year was computed by excluding from the 1979–80 assessed value both the taxable and exempt value of business inventories.

[e] The ratio of assessed value to taxable value was changed to 100 percent (from 25 percent) beginning with the lien date for 1981–82. The percent change was computed "after factoring the 1980–81 valuations to 100 percent of value.

n/a Not available.

Source: California State Board of Equalization.

TABLE 38

ALLOCATIONS [a] OF GENERAL PROPERTY TAX LEVIES AS COMPILED FOR COMPUTATION OF THE AVERAGE TAX RATE, BY COUNTY, 1987–88

(Tax allocations in thousands)

County	City	County [b]	School [b]	Other [c] District	Total [c]	Average Tax Rate Per $100 of Assessed Value [d] 1987–88	1986–87
Alameda	$128,053	$168,343	$129,976	$127,991	$554,363	1.156%	1.163%
Alpine	—	1,087	356	160	1,603	1.051	1.060
Amador	535	5,633	6,236	291	12,695	1.027	1.024
Butte	4,311	12,489	30,715	7,286	54,801	1.038	1.041
Calaveras	107	4,434	8,986	2,401	15,928	1.076	1.085
Colusa	509	3,929	5,642	906	10,986	1.051	1.037
Contra Costa	45,478	106,202	139,380	133,062	424,122	1.090	1.097
Del Norte	98	1,517	2,584	705	4,904	1.031	1.041
El Dorado	3,651	17,992	21,646	11,831	55,120	1.055	1.045
Fresno	30,744	64,323	88,488	28,608	212,163	1.064	1.074
Glenn	789	3,530	5,906	564	10,789	1.048	1.052
Humboldt	1,809	12,838	16,242	5,346	36,235	1.046	1.051
Imperial	3,590	11,125	16,071	2,658	33,444	1.050	1.061
Inyo	246	4,721	6,708	1,073	12,748	1.022	1.040
Kern	17,286	124,254	134,527	39,304	315,371	1.070	1.024
Kings	2,093	11,503	9,176	2,599	25,371	1.034	1.039
Lake	802	9,843	12,081	4,609	27,335	1.029	1.028
Lassen	352	2,385	4,861	627	8,225	1.044	1.053
Los Angeles	632,551	1,402,166	726,967	601,349	3,363,033	1.074	1.081
Madera	1,283	10,082	19,541	2,262	33,168	1.083	1.051
Marin	18,057	38,965	56,299	22,248	135,569	1.029	1.032
Mariposa	—	2,052	3,750	372	6,174	1.000	1.000
Mendocino	951	12,424	14,078	2,287	29,740	1.091	1.098
Merced	4,160	19,103	20,561	4,934	48,758	1.043	1.005
Modoc	185	1,825	2,734	317	5,061	1.034	1.034
Mono	439	4,805	4,127	3,339	12,710	1.050	1.052
Monterey	13,052	35,479	63,705	18,534	130,770	1.025	1.028
Napa	5,591	16,294	25,514	3,093	50,492	1.045	1.051
Nevada	1,093	9,786	16,780	6,577	34,236	1.032	1.042
Orange	145,944	221,524	598,784	258,386	1,224,638	1.100	1.111
Placer	5,220	23,491	39,247	12,404	80,362	1.057	1.046
Plumas	141	3,971	8,291	1,846	14,249	1.010	1.010
Riverside	31,520	109,143	155,439	124,264	420,366	1.112	1.107
Sacramento	37,649	119,081	95,122	72,413	324,265	1.070	1.074
San Benito	625	2,878	7,448	3,010	13,961	1.105	1.106
San Bernardino	41,005	116,728	133,395	140,333	431,461	1.095	1.117
San Diego	147,686	234,560	483,448	92,135	957,829	1.055	1.064
San Francisco	—	362,284	36,768	30,043	429,095	1.101	1.113
San Joaquin	19,349	55,248	45,579	19,258	139,434	1.036	1.045

TABLE 38—Continued

ALLOCATIONS [a] OF GENERAL PROPERTY TAX LEVIES AS COMPILED FOR COMPUTATION OF THE AVERAGE TAX RATE, BY COUNTY, 1987–88

(Tax allocations in thousands)

County	City	County [b]	School [b]	Other [c] District	Total [c]	Average Tax Rate Per $100 of Assessed Value [d] 1987–88	1986–87
San Luis Obispo	9,223	41,039	65,932	6,777	122,971	1.066	1.067
San Mateo	48,327	89,607	177,301	40,177	355,412	1.022	1.027
Santa Barbara	9,992	49,074	76,985	26,845	162,896	1.029	1.022
Santa Clara	94,888	212,226	381,135	131,920	820,169	1.107	1.114
Santa Cruz	7,372	24,550	46,824	12,349	91,095	1.036	1.042
Shasta	3,957	12,986	28,890	5,194	51,027	1.068	1.079
Sierra	26	1,455	577	253	2,311	1.003	1.014
Siskiyou	1,279	5,540	8,170	818	15,807	1.011	1.012
Solano	19,339	33,489	30,168	21,698	104,694	1.120	1.134
Sonoma	14,914	55,634	79,272	16,172	165,992	1.064	1.066
Stanislaus	8,907	26,094	60,804	5,298	101,103	1.028	1.034
Sutter	1,977	7,444	10,798	2,139	22,358	1.031	1.034
Tehama	1,039	5,693	8,034	590	15,356	1.048	1.056
Trinity	—	1,802	2,733	285	4,820	1.032	1.042
Tulare	6,096	33,407	33,635	6,700	79,838	1.029	1.034
Tuolumne	264	8,273	10,973	1,446	20,956	1.032	1.037
Ventura	24,080	84,309	113,015	78,171	299,575	1.087	1.093
Yolo	10,840	14,362	20,383	3,472	49,057	1.087	1.095
Yuba	851	6,389	7,487	1,806	16,533	1.085	1.095
TOTAL	$1,610,325	$4,081,410	$4,360,274	$2,151,535	$12,203,544	1.078%	1.083%

[a] The county levies at a rate of $1.00 per $100 of assessed value have been allocated among the jurisdictions receiving a portion of those levies. Excluded is the following amount of state reimbursement to local governments: homeowners, $344,221,000.

[b] County levies for school purposes, such as junior college tuition and countywide school levies, are included with school levies.

[c] Includes debt levies on land and/or improvements only. Also includes the portion of the $1.00 levy allocated to jurisdictions previously taxing less than total property, i.e., land only or land and improvements only.

[d] Computed by dividing total levies by the assessed value and multiplying by 100.

Source: California State Board of Equalization.

TABLE 39
TRAVEL GENERATED IMPACT, BY COUNTY, 1986
(Dollars in millions)

County	Travel Expenditures	Payroll	Employment (thousands)	Tax receipts	
				Local	State
Alameda	$1,025.2	$214.4	18.1	$21.7	$41.6
Alpine	13.9	2.4	0.3	0.3	0.6
Amador	27.2	4.6	0.6	0.4	1.3
Butte	73.7	13.3	1.8	1.1	3.1
Calaveras	32.2	5.3	0.7	0.3	1.6
Colusa	11.8	2.2	0.3	0.2	0.5
Contra Costa	491.6	94.8	9.9	8.6	20.5
Del Norte	52.1	9.5	1.3	0.7	2.2
El Dorado	273.8	47.1	5.2	6.9	11.6
Fresno	322.7	58.2	6.9	6.4	13.3
Glenn	15.4	2.8	0.4	0.2	0.6
Humboldt	112.5	19.4	2.4	2.2	4.6
Imperial	63.4	11.3	1.4	1.1	2.9
Inyo	57.4	10.6	1.5	1.4	2.6
Kern	303.9	53.1	6.4	5.9	12.5
Kings	30.8	5.6	0.8	0.4	1.3
Lake	42.3	8.0	1.0	0.6	1.8
Lassen	18.0	3.1	0.4	0.2	0.8
Los Angeles	5,243.7	1,063.7	85.1	148.9	199.0
Madera	47.2	8.4	1.1	0.6	2.0
Marin	139.0	27.3	2.3	2.9	5.7
Mariposa	123.3	20.2	2.4	2.6	5.3
Mendocino	120.5	20.6	2.7	2.6	4.8
Merced	77.9	15.1	2.0	1.2	3.3
Modoc	13.6	2.2	0.4	0.2	0.7
Mono	124.5	22.6	2.2	2.8	5.3
Monterey	684.5	126.7	12.1	21.4	26.2
Napa	166.3	33.0	3.4	4.8	6.5
Nevada	56.0	10.6	1.3	0.9	2.6
Orange	1,991.7	410.3	37.5	51.9	72.5
Placer	142.6	25.3	2.8	3.2	6.2
Plumas	34.8	6.0	0.7	0.5	1.7
Riverside	1,017.0	202.1	19.6	21.9	40.4
Sacramento	498.0	92.5	10.1	11.4	20.4
San Benito	20.9	4.1	0.5	0.2	0.9
San Bernardino	600.4	110.1	12.9	10.8	24.3
San Diego	2,235.7	454.5	44.6	49.4	83.6
San Francisco	2,179.1	469.9	32.5	77.6	78.5
San Joaquin	179.3	31.8	3.8	2.9	7.5
San Luis Obispo	323.8	68.1	8.3	6.5	13.2
San Mateo	680.4	137.0	10.0	17.9	25.6
Santa Barbara	461.6	90.2	9.5	12.4	18.2
Santa Clara	1,426.9	275.2	27.0	35.8	55.6
Santa Cruz	230.0	45.5	5.1	5.4	8.4
Shasta	111.1	19.5	2.4	2.1	5.0

TABLE 39—Continued

TRAVEL GENERATED IMPACT, BY COUNTY, 1986

(Dollars in millions)

County	Travel Expenditures	Payroll	Employment (thousands)	Tax receipts	
				Local	State
Sierra	17.9	3.0	0.4	0.2	0.9
Siskiyou	49.0	7.9	1.0	0.8	2.2
Solano	122.0	21.4	2.5	2.1	5.1
Sonoma	437.5	82.4	8.7	6.2	18.8
Stanislaus	128.6	23.6	2.9	2.0	5.4
Sutter	25.7	4.8	0.6	0.4	1.1
Tehama	25.4	4.5	0.6	0.4	1.2
Trinity	17.9	3.0	0.4	0.2	0.9
Tulare	149.6	25.7	3.2	2.5	6.3
Tuolumne	55.7	9.3	1.1	0.9	2.6
Ventura	345.8	67.7	7.3	6.9	13.4
Yolo	78.7	14.4	1.7	1.6	3.2
Yuba	27.8	5.0	0.6	0.3	1.2
CALIFORNIA	$23,379.4	$4,630.7	432.5	$582.1	$909.5

Source: Dean Runyan Associates
California Department of Commerce

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